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FIRE INSURANCE RATES AND METHODS

In the spring of 1902, the price of fire insurance throughout this country suddenly rose 25 per cent. During the ensuing hub-bub the fire insurance companies furnished ingenious explanations, and waited for the storm to blow over. For the remaining months of 1902, alone, this increased charge for insurance produced about sixteen million dollars more income to the companies.

This sudden rise in the price of fire insurance was due to the application by the companies of the old principle of charging "all that the traffic will bear." Evidences of commercial prosperity, displayed on all sides, could not but excite the cupidity of corporations manifestly in business for the benefit of their exchequer. A conclave of prime-movers in the insurance world was held, at which the formula was adopted that "the insurance companies, for years, having lost much money, it is imperatively necessary to raise rates 25 per cent and said raise goes into effect immediately." No esoteric meaning attached to the words "we are losing money." They were explained as meaning that the profits realized from the employment of capital in the fire insurance business were inadequate to keep that capital from flowing to other more remunerative industries. What are the facts of the case?

From the tables presented at the annual meeting of the National Board of Fire Underwriters on May 14, 1903, it is found that the paid dividends of the American joint-stock fire insurance companies combined have averaged from 1860 to 1902, inclusive, not less than 11.14 per cent. Since 1892, the yearly averages have been as follows:

Year.	Per ct.	Year.	Per ct.
1892	10.51	1898	11.64
1893	10.43	1899	11.65
1894	10.60	1900	11.18
1895	11.40	1901	11.63
1896	11.24	1902	11.96
1897	11.33		

So that the average dividends of the last eight years have been higher than the average of the last forty-two years, and the dividends declared in 1902 were the largest since 1860.

Turning to the market price of fire insurance companies' stocks, the investigator is confronted with symptoms of decided prosperity. The Insurance Year Book for 1903 (published by the Spectator Company, New York), on pages 180 to 187, quotes the "latest sale of stock (per cent)" of 139 American fire insurance companies. These selling prices fall into the following subdivisions:

\$100 Stock selling below 100	1
Stock selling at 101-150	65
Stock selling at 151-200	25
Stock selling at 201-300	23
Stock selling at 301-400	13
Stock selling at 401-1400	12
	<hr/>
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Can anything be discovered in these prices warranting disappointment or pessimism?

It should be remembered that the income of the fire insurance companies is derived mainly from two sources: underwriting and investment of funds. So that dividends on capital invested are declared out of the profits accruing either primarily from the underwriting, or secondarily from the investment of funds. An underwriting loss arises when the indemnity paid out for loss by fire and the expenses of management together exceed the income derived from premiums for the indemnity furnished.

The alleged total underwriting "loss" of all American companies in 1901 is an elusive quantity; but the insurance companies seem to have agreed to give it as "considerably over six million dollars." For argument's sake we might assume that this statement is truthful. It would then follow that the dividends declared by these companies in 1901 arose from profits derived from the secondary sources of income, after making good the alleged underwriting loss of \$6,000,000. In other words, if the primary source of income showed a debit of \$6,000,000, so that a dividend of 11.63 per cent was declared out of profits derived from the secondary sources of income, it is obvious that but for this debit of \$6,000,000 total dividends of 22.54 per cent could have been paid on the capital of \$55,000,000. Either one of two things follows: when telling the public "we are losing money," the fire insurance companies really meant "we are losing money on one of our sources

of income though from our secondary sources of "income we are making very much money," or else they were distributing unearned dividends. That they were guilty of this illegal act is not probable. So far, then, it seems that there was but little reason, if any, for increasing the fire insurance burdens of this country 25 per cent.

The business of fire insurance in this country is not only highly profitable, but is profitable in spite of an extravagance and a waste of money which in any other industry could not be tolerated. The combined American and foreign joint-stock fire insurance companies doing business in the United States entered into contracts for contingent indemnity, or, to use the technical phrase, wrote the following aggregate amount of risks:

In 1902	\$21,320,333.036
In 1900	19,130,399.000
An increase of	\$2,189,934.036, or 11½%

They paid out for "commissions and brokerage":

In 1902	\$37,628,785
In 1900	29,705,775
An increase of	\$7,923,010, or 26 2-3%

In other words, in order to increase sales of indemnity by 11½ per cent, the companies actually increased the commissions paid to their agents by 26 2-3 per cent.

Any competitive industry which treated its traveling representatives, or sales agents, similarly, would be guilty of foolishness or excessive generosity, and in either case, would be inviting bankruptcy. The peculiar extravagance of this method of doing business is more apparent when consideration is given to the following figures. The consideration or price, or, technically speaking, the premiums charged for writing the foregoing risks, was:

In 1902	\$185,494,632
In 1900	146,263,565
An increase of	\$39,231,067

So that, out of an increased income of about thirty-nine millions, eight millions went to brokers. In other words, over 20 per cent of the increase of money arbitrarily taken from the public went

immediately into the pockets of insurance brokers. This, it should be remembered, happened at the very time when the public all over the country was being told that "the companies were losing so much money that there was nothing left to do but to raise the price of insurance 25 per cent"!

This immense drain for commissions, made upon the whole business community, is not only excessive and unreasonable, but it is a condition of affairs which has been steadily growing worse for the last forty years. In fact, for every policy or contract promising indemnity to the amount of \$100, there was paid as "commissions and brokerage" the following sums:

In the years 1860-70, an average of	10.5 cents
In the years 1871-80, an average of	13.9 cents
In the years 1881-90, an average of	15.6 cents
In the years 1891-1900, an average of	15.8 cents
In the year 1901, an average of	16.6 cents
In the year 1902, an average of	17.7 cents

It will be seen that the payment to the insurance broker has steadily and persistently grown, until it is to-day greater than at any time since 1860, and this in spite of the fact that the public is much more desirous of insurance and more than ever accustomed to assume the duties which should really be fulfilled by the broker.

So far, then, it is found that dividends paid on the capital invested in the fire insurance business, and the commissions paid to agents, are higher to-day than at any time during the last forty-two years. Now, it will be admitted that the prime function of fire insurance is to indemnify the public against loss by fire. We have seen that in 1902 all the United States¹ companies combined made the following payments:

For "commissions and brokerage"	\$26,548,587
For "dividends"	6,554,570
Total	\$33,103,157

These thirty-three millions, of course, came out of the pockets of the insured. Besides the \$33,000,000 above accounted for, there were other expenditures incurred in the conduct of fire insurance in this country the disbursements for which were drawn also directly

¹ As the dividends paid by foreign companies transacting business in the United States are in a great measure dependent on the results of European underwriting, they cannot serve as a criterion of conditions in this country, and therefore are not considered.

from the pockets of the public. Over fourteen million five hundred thousand dollars were paid out for sundry expenses by these same companies in 1902. So that, in that year, these American companies combined actually retained \$47,644,000 for themselves, their agents, and their expenses, and, as indemnity to the public, they paid—how much?—less than sixty-six million dollars! Yet every penny of this money was furnished by the insuring public!

What would be thought of the methods of a savings bank which could say to the public: "We shall allow you to deposit your savings in our bank and you will be allowed to draw on your account at sixty days' sight,"² on condition that for every \$114 which you deposit, we shall be allowed to retain \$48 for ourselves, this sum to be retained by us not for a certain short time but for all time"? That, in a crude way, illustrates what the American fire insurance companies said to the public of the United States in 1902. They even went further, as will be shown.

From 1860 to 1902, inclusive, the average yearly premium on a policy of \$10,000, charged by all the joint-stock fire insurance companies doing business in the United States, has been as follows:

Years.	
1860-70	\$80.32
1871-80	94.32
1881-90	98.80
1891-95	106.40
1896-1900	101.48
1901	106.05
1902	115.18

It will be seen that the price charged for furnishing insurance to-day is much higher than at any time in the last forty-two years. Leaving this phase of the matter out of the question for the time being, one finds further that during the same periods these contracts of insurance involved the fire insurance companies in the following losses by fire for every \$10,000 of risk assumed by them:

Years	
1860-70	\$46.55
1871-80	50.60
1881-90	48.70
1891-95	51.67

² According to insurance policies, losses are payable at any time within sixty days after ascertainment thereof, though, in justice to the companies, it is only fair to say that in general they do not avail themselves of the full delay accorded to them.

Years.	
1896-1900	\$42.92
1901	45.15
1902	44.17

It will be noted that fire insurance losses are not growing worse.

The difference between the amount deposited by the public with the insurance companies and the amount refunded by these companies constitutes the gross residue retained by the companies for exercising the privilege of being trustees of, and depositaries for, the public's funds. The public's share of its own premiums compares with the companies' share thereof as follows:

Years.	Returned to Public.	Gross Residue of Charge to Public.
1860-70	\$46.55	\$33.77
1871-80	50.60	43.72
1881-90	48.70	50.10
1891-95	51.67	54.73
1896-1900	42.92	58.56
1901	45.15	60.90
1902	44.17	71.01

The premiums charged to the public have been such as to permit a continually growing sum to be at the disposal of the companies, for some purpose or other, after reimbursing the public for losses suffered. However, that is a detail; the main fact which we wish to keep in mind is this: last year (1902) the average charge for a policy of insurance for \$10,000 was \$115.18 and under this same policy there was paid out an average indemnity of \$44.17. The public made a deposit of \$115.18 and of this sum drew out \$44.17. The trustees kept the change.

Lest it may appear incredible that such a condition of affairs really existed, the following corroborative figures are reproduced from the latest report^a (1903) of the Insurance Commissioner of Connecticut. It should be remembered that the figures given are compiled by the Insurance Commissioner of Connecticut, from the sworn statements of the companies themselves. They cover the operations of all the representative American stock fire insurance companies and, for reasons already given, do not cover the operations of European companies transacting business in this country.

^a Any one can obtain this report for the mere request. The figures will be found on pages 689 to 698. Reports published by almost any other state will furnish the same information, though in somewhat less convenient form.

INCOME during the year ending December 31, 1902:

Fire premiums, net	\$128,424,000
Marine " "	4,887,000
Total	<hr/> \$133,311,000
Interest on bond and mortgage	1,356,000
Other interest and dividends	6,351,000
Rents	850,000
All other sources	4,500,000
Total income	<hr/> \$146,368,000

OUTGO during the year ending December 31, 1902:

Total losses	\$64,383,000
Dividends	6,021,000
Commissions and brokerage	25,494,000
Salaries and fees	7,770,000
Taxes	3,334,000
All other disbursements.....	9,519,000
Total outgo	<hr/> \$116,521,000

The foregoing figures represent the joint operations of practically all the American fire insurance companies. They show that after paying all the losses of the year, after paying out half as much as the losses merely for dividends and commissions, after paying out all the disbursements, the total income exceeded the total outgo by about thirty million dollars. Now, the aggregate paid-up capital of the companies in question was, in round figures, \$47,000,000, so that this excess of total income over total outgo would suffice to pay further dividends of about 63 per cent on the paid-up capital.

It will be said that much of this \$30,000,000 is not necessarily an item of profit, but that it represents, in fact, the sum of premiums which have not been fully earned. Let us see how accurate this is. The law requires fire insurance companies to have on hand an "unearned premium fund," amounting to one-half of what is paid in to them, so that a policyholder canceling a policy may be reimbursed the ratable portion of the premium paid. This liability is constantly being incurred, and constantly being removed. For the dollars which at this moment are being impounded, there are the dollars being released, which were put in escrow, as it were, a year ago. Thus, the "liability reserve" can only be considered to affect our statement in regard to that portion of the above \$30,000,000

which corresponds to an increase of business. If, in this month, a company receive as premiums \$1,100 for every \$1,000 which it received in the corresponding month of last year, it is evident that under the provisions of the law, for every \$1,100 which it impounds to-day it can release but \$1,000 of fully earned premiums. Now, the natural increase of business does not materially affect this \$30,000,000. Let it be assumed that in one way or the other, even one-half of this sum disappeared in the next twelve months, there would still remain a sum equal to 32 per cent on the capital, available for dividend purposes!

We may be told, also, that most of this \$30,000,000 would be placed in a surplus fund, to be used for the benefit of the public in case of a sweeping fire bringing unusual loss. The companies have been providing for this possible calamity for years, by means of greatly inflated surplus funds created by the public, and earning great interest and dividends. But the days of conflagrations, such as swept Chicago thirty years ago, have probably gone and a contingency so remote should not be made the excuse for a perpetual heavy tax of insurance. One of the latest calamities, that which visited Jacksonville, Fla., caused an insurance loss of only \$5,932,500. As compared with the surplus above mentioned, surely an insignificant sum.

That the companies themselves do not really worry about the possibilities of sweeping conflagrations repeating the events of thirty years ago, may be gathered from the fact that they do not hesitate to risk their all on the chance of such calamities not being repeated, as witness the congested district of Chicago, where alone \$170,000,000 is at stake. Proportionately large sums are risked similarly, in the conflagration districts of Philadelphia, Boston and other large towns. It will be shown below that even in regard to this conflagration fund the public is being sorely abused.

The full extent of the exploitation to which the public submits is understood only after tracing the origin of the secondary sources of income enjoyed by the fire insurance companies. If we revert to the income and outgo account for the year 1902, we find that over thirteen million dollars out of a total income of \$146,000,000 was due to "interests, dividends, rents and other sources." This \$13,000,000 arose from what is generally called the "investment income" in contradistinction to the remainder, the "underwriting income."

The paid-up capital of the companies furnishing this income account amounted to about \$47,000,000. This sum was in no wise sunk as it would be if invested in any industry; none of it went into machines, raw material, mines, rolling stock, or right of way. It was, all the time, visible, tangible, dormant in the banks. It was practically a token of good faith, nothing more. By reason of this deposit in the banks, by virtue of this evidence of good faith, the owners of this \$47,000,000, by law were permitted to offer insurance against fire and to demand for this insurance such consideration as they pleased and, among themselves, agreed to charge. The public, having accepted these offers of insurance, drew from its pockets considerations, called "premiums," to the amount of over one hundred and twenty-eight million dollars. Of this \$128,000,000, there was refunded as indemnity for losses, \$64,000,000. The remainder of these premiums, \$64,000,000, and the original \$47,000,000 which, of course, was intact, belong to the fire insurance companies, by law. They could close their business to-morrow and the public could not say nay.

Instead, the companies left their capital of \$47,000,000 in the banks, and out of that part of the premiums not touched by fire they paid dividends and commissions and salaries and taxes, and, as has been seen, had a great fund left over. This fund, amounting to many millions, they placed in the banks, alongside of the untouched capital of \$47,000,000, and they called it a surplus fund, put there to pay losses in case the public had another Jacksonville fire.

Now, since the public furnished all the premiums out of which all the losses and all the dividends and all the salaries and all the other items were paid, the surplus, or conflagration fund, was in reality the excess charge demanded of the public over and above what was sufficient compensation for trouble and risk taken; though, if any Jacksonville fire should recur, the indemnity for the fire would be paid out of the accumulated surplus saved out of the public's money, and next year, the public would be further assessed, the "recent conflagration" serving as excuse!

All of this money, all of this excess charge over and above the amount necessary to recompense the custodians and administrators of the public's contributions, should be held in trust as the property of the insuring public. By all moral, ethical, and financial rights, the conflagration fund belongs to the insurers. But it never will be

theirs—unless the law is changed. Instead, this fund will grow, and, growing too big, some fine day it will melt away as an “extra dividend” of 40 or 60 per cent, or else it will amalgamate with the dormant capital of \$47,000,000 so that the shareowners will own two shares of stock where now they own but one.

But, it will be said, supposing that the companies owning this capital of \$47,000,000 had not been able to pay losses and expenses and dividends out of the contributions of the public, would they not have drawn upon this \$47,000,000, their capital? Assume that they had: the inevitable result would be that next year, the public would be forced, willy nilly, to pay enough to make good the impairment of the \$47,000,000, and besides that, would be severely taxed for not having in the previous year contributed enough premiums to pay for all its losses and all the commissions, and all the dividends and the sundry items and the conflagration fund.

It is a distinctive feature of these insurance companies that they act as one man, throughout the country, in every town and village. There is no competition among them but, on the contrary, a most exclusive and brotherly *entente cordiale*. Hence, when in the recesses of their council chambers they reach a conclusion, be it right or wrong, that they have “lost money,” with hearts that beat as one they set out to seek that which they have lost; and, so far, their quests have been successful.

It is seen that by reason of practically depositing a bond of \$47,000,000, fire insurance companies were entrusted with premiums of \$128,000,000. Whilst they were the custodians of these premiums, their capital was earning interest, even if only a beggarly 3 per cent. In the same way, the trust fund, the \$128,000,000 was earning interest—which interest was retained by the trustees; of course, not interest on \$128,000,000 for 365 days, for this trust fund came in gradually, and little by little some of it disappeared for fire and expenses. But a great deal was there all the year. If it be assumed that in view of what was held for the year the whole amount earned an average of 3 per cent, then, \$3,840,000 would have been earned as interest or dividends. In the same way, at the end of the year, when the conflagration fund became swollen by the excess of the public's contributions, another source of “interest and dividends” was created.

On the supposition that the above modest sum of \$3,840,000 could have been earned, it would of itself have sufficed to pay a

dividend of 8 1-6 per cent on \$47,000,000, which dividend, added to the 3 per cent (assumed to be earned by the \$47,000,000 lying in the banks) would make 11 1-6 per cent joint interest and dividends. A handsome return on money invested, as investments go to-day!

From the observations immediately preceding, one may gather that the interest earned on the capital, merely deposited in banks, and the interest derived from the use of the public's premiums together produce an income ample enough to enable the companies to renounce all further claims to compensation; that is, to run the underwriting account at bare cost, without a cent of profit.

Underwriting profits such as are insisted upon by the insurance companies are in the nature of extortion, and a display of their underwriting results alone, without a simultaneous display of their investment profits, is a delusion of the insuring public.

The public may view with a certain amount of indifference the fact that it furnishes all the funds that go to indemnify it for losses; that it sacrifices at least one-half of its contributions for the sake of having the remaining half administered; it may contemplate with equanimity the fact that this cost of guardianship is to-day greater than ever before; it may overlook the greed of companies which exact to-day the greatest dividends since 1860; it may know that the recent startling increase in the rates was absolutely unwarranted, and that 20 per cent of the spoils thereof immediately went to brokers, already better paid than ever before. Yet surely the public temper should be stirred when it reflects that it is not even given credit for the serious and persistent efforts which it has made, and continues to make, in the direction of fire prevention and extinction!

In the last thirty years vast improvements in protection have been made by the public: buildings are better constructed; fire-retarding materials and devices have been introduced; fire alarms, watchmen's clocks, automatic sprinklers, chemical fire pails have been put in; water supplies and pumps have been improved; hazards recognized and avoided; better brigades drilled and maintained, better equipments furnished—in fact, the responsible insured have spent huge sums to keep fires down. Fires have been kept down, as the figures show, and yet, the vast expenditures by property owners to protect their premises and cities, so as to avoid fire and to provide for its prompt extinction, have merely resulted in the highest average premium in the last forty-two years. Is it not

evident that there is something woefully defective in the system that brings about such results?

It would be impossible within the space now at command to deal with every aspect of fire insurance deficiencies. An endeavor has been made to show that, viewing the question on its economic or financial side only, the public is being wretchedly exploited. Only a brief indication can be given of how this exploitation is accentuated by the languid attitude of the companies and their agents towards the ethical elements of insurance. It has been shown that the whole fire insurance bill, with the terrible waste and insatiable greed involved, has to be settled by the section of the business community which is responsible and honest. It is one of the worst, one of the most glaring, defects of the present methods of insurance that the insured are not only heavily taxed for the benefit of their trustees, but that, in view of the fact that four-fifths of the fire loss is due to incendiarism and criminal carelessness, the honest and careful must pay heavily for the crime and folly of the unscrupulous and careless.

It is unreasonable that for so many years in succession the fire loss should maintain such huge dimensions. This heavy loss has persisted because of the erroneous principles upon which the business of insurance is conducted. Consider one element alone, the acceptance of a risk: in nearly every case, the desirability of accepting a risk should be gauged by the moral character of the applicant for insurance. The nature of this character, whilst ascertainable by the agent familiar with local conditions, is most often beyond the ken of the companies' head men. The man who is to receive 20 per cent of the premium is naturally not too cautious in regard to the acceptance of risks, and certainly, with this 20 per cent in prospect it would be strange if the benefit of a doubt were not given in his own favor. It is well known that among stock companies no adequate or efficient system exists for checking moral risks, and it is equally well known that the vast majority of fire losses are consequent upon moral laxities of some kind or other, chief among which may be classed gross negligence and carelessness and other preventable conditions. With the great majority of applicants for insurance, the prevailing methods are inadequate to gauge these qualities.

Much loss also could be obviated if the companies sought more actively to eliminate the causes of fire and to increase the facilities

for extinguishing it, rather than to await its scourgings and then to raise prices. The easiest manner of recouping themselves for losses has, of course, been the raising of rates; but this act does not coerce destructive elements and classes into becoming a profitable investment, at least it never has. It merely swells the agents' income and places a heavier burden on the honest insured. The most efficacious means of improving fire conditions is to enlist personal selfishness on the side of fire prevention. As long as a state which invites fire costs for insurance scarcely more than a condition which precludes fire, 50 per cent of the premiums will burn up, each year. For, to-day, most people buy insurance because it allows them to become more careless.

Among heavy insurers, the truth begins to be realized that they have been grouped and allied with innumerable heterogeneous and utterly undesirable elements, for the purpose of paying individual losses out of the common purse. Also, the conviction gains ground that under existing methods of insurance those who, as a class, have an excellent record, and do not burn down, must necessarily pay the indemnity given to those classes who do burn down frequently, whether accidentally or with pleasure aforethought. These heavy insurers, in many instances, have discovered that it is possible to form from among themselves a homogeneous, mutually protective group, rigidly defined in regard to business, moral, and physical hazard. They have thereby set up conditions of mutual service which can be watched and controlled for the best benefit of all concerned. They have not been burdened with the losses arising from elements more dangerous than themselves, whether the dangers were inherent to the business conducted or to the character of the persons engaged therein. The consequence of such action has been that these groups of insurers, associated for mutual helpfulness, have made immense savings whilst securing ample protection. No better illustration of the results obtainable by such organization can be afforded than by the New England Mutuals, which to-day insure over one billion four hundred million dollars' worth of factory property at a net cost of about fourteen cents per \$100 of insurance.

Despite the great difficulties of organization and of development attaching to such associations for mutual benefit, despite the spirit of suspicious antagonism often evinced, and the short-sightedness often displayed when the public is asked to bestir itself for

self-interest and common benefit, the business community more and more will protect itself against loss by fire, by forming voluntary associations of men known to each other, engaged in the same business, exposed to the same hazards, and convinced of their individual inability to have "a successful fire." For such as fail to ally themselves under such conditions and for such purposes there will always remain the present method and plan of insurance. However, the dignity of the profession and the public peace of mind call aloud for the introduction of more intelligent, more economical, less distasteful, and less evident methods of exploitation.

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TRADES UNIONISM

For several years our country has been subjected to uncertainty and disturbance on the part of industrial workers to an unprecedented and very alarming extent. The whole country has suffered and a large part of the people have been directly affected thereby. This situation has culminated in the outbreaks or strikes of the past year, which have tied up many important industries. Naturally, the greatest interest has arisen in the means, the organizations, by which this situation has been effected. These organizations are the trades unions, and what they are, what their aims are, and what means are employed to realize these aims, are questions of deepest national import.

Trades unions are combinations or associations of workmen of the various trades for the mutual support and advancement of what the association considers its best interest. For their origin we must look back at least to the "guilds" of the Middle Ages—before the introduction of the factory system or of any but the crudest mechanical devices. The industrial relations were of the simplest nature, the "business" was run in a patriarchal way. Gradually the head of the business became a merchant and always further removed from the ranks of the artisans. Disputes soon arose as to the manner of doing work or concerning the pay therefor, and in 1776 we find Adam Smith writing, as of a familiar thing, of combinations being formed by workmen to collectively force up the price of their labor. Such combinations were regarded in England as late as 1824 as "conspiracies in restraint of trade and illegal." As a result of repressive laws, a fraternal feeling sprang up, heavy oaths and a policy of secrecy were adopted, beneficial features, such as sick, accident, superannuation, and death benefits, were instituted, and defence funds founded. Many, if not all, of these features still persist, although the outward forms of the bonds have been eliminated. Through political agitation, largely induced by the unions, factory acts, mines acts, and employer's liability acts, have been passed in all civilized countries, nearly all of which have been highly favorable to the wage-earning class. The State of Pennsylvania in 1872 recognized the right of members of labor organizations to refuse to work under regulations contrary to the rules of the organization, but further provided that

"nothing shall prevent the prosecution and punishment, under existing laws, of any person or persons who shall in any way hinder another who desires to labor for his employer from so doing."

The members of trades unions in this country are said now to number altogether about one and one-half millions. The growth in membership and strength has been especially rapid during the last four years, a fact mainly due to the opportunity offered for the success of labor propaganda by the phenomenal industrial activity of our country. Many of these organizations are either independent or local. Others have a parent organization, a general directing body over all the local organizations, such as the American Federation of Labor. Generally speaking, the fundamental aim or object of all these organizations is to obtain increased wages for a decreased number of hours of work. Secondarily, but scarcely less important in the eyes of many members of the unions, they attempt to obtain recognition of the union and the restriction of output.

The first of these aims is legitimate enough, and the success which has crowned the efforts of certain unions, particularly of recent years in this regard, is their chief claim to consideration from the wage-earner. For example, consider the situation in two of our trades to-day—the bricklayers and the blacksmiths. The second requires a higher order of intelligence and skill, it requires continual learning and a much longer period before the attainment of ordinary proficiency, it is much harder work and involves greater danger of injury, the conditions under which the work is done are more disagreeable. The bricklayer will say that he can work only in fair weather, and that his wages must, therefore, be high enough to compensate him for the time when he is idle. This is no longer true, for cement is used in place of common mortar, so that operations can be carried on in freezing weather. The men are frequently protected by temporary enclosures, lighted and even heated. Yet bricklayers are getting five dollars for eight hours' work, while blacksmiths are fortunate if they obtain three dollars for ten hours' work. You do not find this difference between members of varying efficiency in one trade, for the union specifies that all shall receive the same rate, but the difference is between the two trades and greatly in favor of that of lower order. This is a most forceful illustration of the advantage to labor of a strong organization and of collective bargaining.

The wage per hour may fluctuate to a certain extent with the

price of food and the general condition of the country, but a reduction of the working hours once obtained remains. The reduction has been made within a few decades from fifteen to twelve, from twelve to ten, and now all government and much private work is on an eight-hour schedule. It is probable, and seems to be the tendency, that this will become general wherever practical to complete the day's work in such a time. For this reduction of hours the working classes have to thank the trades unions.

Recognition is not always insisted upon by the union. Where it is granted it means that the employer agrees to employ and discharge union men through the union officials, to grade his employees (and incidentally their wages) according to the standards of the union, to subject his shop discipline to union rules, frequently to buy only unionized supplies for his business, and to employ only members of the union. Sooner or later these conditions and their logical extensions become intolerable, they sometimes even conflict with the labor laws, and a rupture follows.

Restriction of production is not generally admitted by labor leaders to be one of the tenets of their policy. Conclusive evidence, however, can be furnished to prove that the so-called "ca' canny" (go easy) policy of British trade unions is rapidly gaining a foothold in this country, and, unless checked, will work dire mischief for the entire land. No more demoralizing policy for the workers can be conceived than this. There is no greater fallacy than the belief that there is a fixed or limited amount of work to be done in the world, the husbanding of which will redound to the ultimate benefit of the wage-earner. The recent decline of the British manufactures may be attributed more largely to this mistaken policy than to any other single cause. A writer in the *London Times* has shown, in a series of articles on "The Crisis in British Industries," that the "ca' canny" system has reduced the product of an English trade unionist's work to a point where his labor, once the most profitable in the world, now frequently nets a loss to his employer. It is stated that thirty years ago an English bricklayer would lay 1,200 bricks in a day, now the maximum allowed by the union is four hundred. Nor is this the only means adopted to effect limitation, for the British unions have refused to allow the introduction of improved machinery, they have adopted stringent rules limiting the hours and rate of its operation, and, when these measures were found

not to be efficacious, have deliberately planned its injury or destruction. In some shops, after the failure of the above means, the disappointed men have committed serious crimes by malicious and persistent interference with the operation through the changing of feeds and speeds, "racking" by reckless running, "forgetting" to lubricate, or the breaking and "losing" of small parts. The defence of the limitation of output on the part of certain unions is that without it the normally average worker would be forced to come up to the standard set by the strongest and most skillful, and in this way become worn out and useless before his time. If this were proven true, or even well substantiated, it would merit attention and become a proper subject of governmental control. The charge, however, is baseless. No employer expects all men to be equally industrious and skillful, nor to drive his men beyond their strength, but he naturally desires to buy labor just as he purchases any other commodity, that is, according to quality and quantity; he does not wish to pay the same rate of wage to the least efficient man as he does to the most efficient. Yet this is, in effect, what the trade union demands.

Piece-work and premium systems have been devised for the purpose of stimulating industry and rewarding efficiency. The premium system is regarded by many students of wage adjustment as the most equitable plan of wage payment that has yet been devised. Assuming that a fair base price for a given job has been fixed upon in advance as satisfactory to employer and employee (being adapted to the earning capacity of the average worker), to which is added a premium for an increase of output by the more diligent and skillful operatives, we have a system which pays a fair "living" wage to the average worker and then encourages him by a substantial inducement to excel. This cannot be contorted into a method of forcing the men into activity beyond their strength. It would seem that if the unions desired to elevate the standard of efficiency of their men the universal establishment of such a system would be their first demand instead of an object of their abhorrence.

Recently a strike occurred in a machine shop, against the wishes of the employees, by the order of the union to which they belonged, to compel the company to abolish the premium system, and, in this way, to reduce the earnings of their men. The premium system had been in use for two years where it was giving satisfaction to the company and the men, and it was reported that the official representatives of

the union refused to submit the matters in dispute to a disinterested board of conciliation. Labor unions which embrace this policy of restriction of output as a means of maintaining the status of their trade should reflect that it offers the very greatest stimulus to the invention and perfection of automatic machines which dispense more and more with skilled hand-workers and skilled attendants. In the foundry, for example, molding machines operated by unskilled laborers or even boys are fast displacing skilled molders in the lighter classes of work and their scope is being continually enlarged.

As to the means of realizing the aims of trades unions, the first is agitation followed by a presentation to the employers of the case of the employees. Sometimes an attempt is made to argue the case to a settlement, more generally an ultimatum is delivered—the alternative of compliance is a general tie up of the shops by a strike of the union labor. If this is not effective because of the ability to operate without union labor, every pressure of persuasion, ostracism, diversion and opprobrium, and finally violent force is brought to bear upon those willing to work for the firm under established conditions. This is brought to bear not only upon the worker, but also upon his wife and children and sometimes more distant relatives, and by not only the strikers but their sympathizers and those dependent upon or at the mercy of the strikers, such as grocerymen and other suppliers. Every effort is made to interfere with and cripple the employer, *i. e.*, the “boycott” against him and against all who support him; or the “sympathetic strike” by the members of other unions is resorted to in order to tie up other business houses and thus bring outside commercial pressure to bear upon the resisting employer. These are crude, back-handed weapons which have rarely proven effective.

The control over the unions, or the leadership of them, is in the hands of men elected from amongst their own ranks and often selected without regard to the possession of those qualities which are generally considered necessary to a wise counsellor or an able leader. These men are usually poor workers, or at best mediocre. They are selected because they have the persuasive or the blatant tongue. In an excited meeting, by the exhibition of a spirit of bravado, they carry their fellows away from the conservative and moderate and obtain the leadership. They now consider themselves above their trade and either leave it or become so intolerable in their attitude

as to compel their discharge. The ordinary routine of their new position, the desire to convert all the non-union men about them or some other cause may lead to such neglect of work that the employer finds it necessary to be rid of them. They and their supporters consider that it is a blow aimed at the union. The result is frequently bad blood. At any rate, they will now be supported on a salary from the union, and to keep the men interested they must be active. This activity usually takes the form of agitation for a strike against this or that "wrong." The union so led is generally largely made up of men of inferior skill, and it is for this reason that they do not succeed well, are poorer paid than some others, have to be followed up in their work by the foreman and are generally fruit for discontent. Such a union is always having trouble. In sharp contrast with it is such a union as the Brotherhood of Locomotive Engineers, the architype of all that is best in unionism and an example of what intelligent and careful leadership may do for organized labor. Its strifes have been few, and none at all in recent years; it is rich, it is powerful, it is recognized as a power for good. It strives honestly to raise the standard of efficiency of its men, and the card of the brotherhood is regarded as a strong recommendation of efficiency and good character by railroad superintendents and master mechanics the country over.

Radical leadership has made most of our unions unsuccessful and given them a name for bad faith and for mean and petty action. There is reason for hope in the improvement during the past few years in the leadership of some that gradually all will select either their own most fit representatives or that labor leaders will be trained to their calling as are lawyers or generals. When they do profit by the example of the most successful, much of the present prejudice against them will be forgotten, and a man with the union card will have a certificate of efficiency and good character, for none other will be eligible. When these are the effects of unionism upon labor, the employer will welcome and encourage the movement as one of the modern agencies for doing the world's work expeditiously and economically.

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THE VALUE OF AUDITING TO THE BUSINESS MAN

In the discussion of this subject three questions of a preliminary character require attention :

1. What is the distinction between the bookkeeper and the auditor?
2. Of what does an audit consist?
3. What special knowledge is possessed by the bookkeeper which the auditor does not have?

There are three distinct spheres of action in dealing with accounts: (1) The accountant, whose work is constructive, is the arbiter of methods, who regulates how the work shall be done. (2) The bookkeeper, who follows along the lines laid down for him, and (3) the auditor, who reviews the work, sees that it is properly carried out and certifies to the correctness of the results obtained. These three operations can be the work of one individual, and, though more commonly the bookkeeper occupies a subordinate position, with, in some cases, a professional auditor to supervise him, the number of public accountants who are taking positions, where they really act as head bookkeepers, especially with the larger corporations, is constantly increasing. Such men seldom do any actual bookkeeping work, and often combine the duties of accountant, bookkeeper and auditor. In other words, old distinctions are disappearing, as the science of bookkeeping increases in difficulty and efficiency. As a general proposition, however, the knowledge of bookkeeping, which is the average bookkeeper's only equipment, is but the A B C of the accountant and auditor, and the latter by training and experience must obtain a wider and more general education than the former has opportunity or inducement to attain. It is most necessary for the auditor to instruct himself in finance and law. He need not know as much of these subjects as the banker or lawyer, but he must have the faculty which they need not possess of interpreting what they have in mind into proper form in his accounts. With the growing complexity of the organization of large corporations, this knowledge increases both in value and difficulty.

and the accountant in active practice does not know from day to day what novel problem he may be called on to solve.

Leaving out of consideration, however, the more complex questions which may confront him, the accountant or auditor is constantly called on to undertake work in businesses with which he has had little or no experience. From this fact arises frequent skepticism as to the value of the public accountant's services. Business men who would not hesitate to consult their lawyer on any question of law, often appear unable to understand that the public accountant stands on precisely the same ground as the lawyer, and consequently will frequently trust to the more limited judgment of a bookkeeper who has had experience in a similar line of business. No doubt this hesitation generally arises from the fact that accountancy in its higher grades is a profession that has only recently come into notice in this country, but it is also due to the lack of a proper appreciation of the scope of its utility.

The science of double-entry accounts rests on the simplest of axioms, and that is every debit must have its corresponding credit. In that one sentence is summed up all that it is necessary for the bookkeeper to know. The carrying out of this simple rule, however, leads to almost unlimited variations, which may be highly complex in character, and it is on the intelligent handling of the figures taken from a set of double-entry books that the value of a statement of the accounts depends. In doing his work, the accountant is guided by certain basic principles, some of which are common to all classes, and others to certain sections, of the whole field of accounts. Certain conditions which apply to one business are common to others, which may be entirely dissimilar in many of their details, and it is on the power to adjust his experience to fit unfamiliar conditions that the accountant must mainly depend. Under such circumstances, the bookkeeper's acquaintance with details may be considerably more extensive than the auditor's, and it is at times well for the latter that this is the case. The value of his services arises from the fact that he brings to his work a knowledge specialized to an extent which the bookkeeper seldom has opportunity to acquire. It is hardly too much to say that the accountant need not be a bookkeeper at all, but this is as true as is the fact that the most brilliant lawyer may not be able to draw up an affidavit as well as his clerk can.

To give a concise definition of an audit is not an easy matter. Its variations are almost unlimited, and its exact significance depends on the determination of the auditor's responsibilities. The actual details of an audit and the responsibilities depend on the *raison d'être* of the audit itself. It may consist simply of the checking of a well designed set of accounts in a business having no complex features; in other cases, the exact reverse may obtain. Or, the auditor's services may be required on an examination for the purpose of the purchase, sale, or incorporation of a business, or an investigation occasioned by fraud, diminishing profits, threatened bankruptcy, or a variety of other causes. As a rule, however, as already shown, the term audit is generally used to cover a simple checking of accounts to prove their correctness, and a distinction is made between such work and investigations or examinations for any purpose. All these classes, however, come within the auditor's duties. The object in every case is to certify to the correctness or falsity of the figures as shown on the books, but this cannot be given as a definition of the word audit.

Some qualifications on this are necessary. For example, a set of figures might be absolutely correct, as shown by the books, but in the case of an incorporated company, the figures might contain items which should never have appeared. A case within the writer's experience illustrates this fact. In the course of an audit, it was discovered that not only had none of the dividends paid been legally declared, but that the company had never legally come into existence, and even if it had, at the time of the audit, it had no lawfully constituted officers. This condition, however, had not prevented the concern from earning and paying dividends of 2 per cent a month for a matter of nearly three years. Fortunately, the corporation was a close one, all the shareholders being near relatives, so that it was possible to rectify the mistakes without much trouble.

The errors which it is the auditor's business to detect may be classified as follows: (1) Errors of principle, (2) errors of omission, (3) errors of fraud. Examples which may be suggested by these errors are:

- a. The inclusion in the revenue accounts of profits which are not available for distribution;
- b. The failure to make provision for invisible wastes or losses;
- c. The omissions of liabilities in drawing up a balance sheet.

The first is an example of an error of principle; the other two are errors of both principle and omission, and often all three are errors prompted by the desire to deceive, even if they are not founded on actual fraud.

It is an axiom of accounts that a profit is not earned until its receipt is actual or is reasonably assured. An illustration of this is the usual practice of treating interest and dividends receivable. It is customary to include interest accrued on first-class bonds in the accounts as the amount is certain and its receipt is reasonably sure. Dividends on stocks, on the other hand, are not credited up until they are declared, for their amount is uncertain, and there is no assurance that anything will be distributed.

The most common method of bringing unavailable profits into the revenue accounts is to increase the cost price of inventory items, or to raise the book value of real estate, securities owned, or some similar asset. In each of these cases the increase in value may be actual, and often the action may be prompted by a perfectly innocent desire to make a good showing. The test of the legitimacy of such profits is, can they be distributed if brought into account? And, in each of the cases in point, this can be made possible only by the sale of property in question. Where inventory items are concerned, this is likely to happen in the near future, and so the bringing of such profits into the account may result only in the anticipation of a reasonably certain gain. Some years ago, in the English courts, the present Lord Chief Justice, then Sir Richard Webster, advanced the ingenious argument that such profits were not profits of selling, but profits of buying, and therefore it was perfectly legitimate to take all inventory items at market instead of at cost price. The objection to such a claim is that there is no certainty that the market may not have declined, even to a point below the purchase price, by the time a sale is consummated.

The increase in the book value of real estate, securities or other similar assets, stands on an entirely distinct basis. Such properties are, in the case of any ordinary business, usually acquired because they are necessary to its proper conduct, and their sale would mean the loss of certain advantages, if it did not result in the extinction of the business itself. There is, therefore, no possibility of realizing the necessary cash on this class of profits, and their distribution can be made only at the expense of the working

capital. In other words, any dividends from such a source can be paid only out of funds which are required for other purposes. In dealing with this subject, only the payment of cash dividends has been considered, the question of stock dividends being ignored. If, however, an increase in the stock, to offset the increased value in assets, is justifiable, and such is often the case, the profit so brought into account should not be merged with the ordinary revenue, but should be stated separately and distinctly.

The most common and effective method of detecting such errors, as are outlined above, is to draw up comparative statements of accounts, at the beginning of the period under review, placing in a parallel column the figures at the end of the period and setting up and examining the various changes. By this means a comprehensive view of the course of the business is obtainable and attention is drawn to any suspicious looking items. A heavy decrease in the current assets which was not neutralized by a similar condition in the current liabilities, would challenge inquiry, especially if it was accomplished by an increase in plant or some other fixed asset. By treating the inventory in a similar manner, large fluctuations would stand out prominently and deliberate padding, if extensive enough to be of consequence, should be detected.

Other methods of padding the revenue accounts are the taking in, as finished, work on which large expenditures are still required, or the inclusion of the total amount of a sale of a lease, or more than the proper proportion of a contract having a number of years to run. The writer, a few years ago, encountered instances of both of these methods. In the first, a company had contracted to perform certain services for a term of ten years; they had been paid the full amount, but had done only one year's work. This fact, however, did not prevent them from taking the entire sum they had received into their profits. Exactly similar cases are not common, for it is unusual for such lump payments to be made, but cases where profits on contracts have been taken in excess of the proportion the finished work bears to the whole, are not at all unusual and are oftentimes very hard to detect. In the other case mentioned, a company had leased a part of their property for a term of years, the rental to be paid annually. An examination of their profit and loss account showed that they had included the whole amount, such a matter as deferred payments apparently being con-

sidered of no consequence. This again was unusual, but it furnishes an illustration of the extraordinary efforts to make a good showing which may be met with.

The failure to make provision for invisible wastes, or losses, generally takes the form of the omission of any provision for depreciation, or bad debts. It is as sensible to omit part of the cost of the raw material in a manufactured article as to fail to take account of that part of a machine's life which is consumed in the making. There lately appeared, in a much-advertised guide for accounting students, the statement that there was no need to charge off any depreciation as long as a machine was doing as good work as was possible, and that it was by no means uncommon in mining districts to find engines which had been in use for fifty years and were just as good as ever. Every accountant comes across cases of unusual survival on the part of machinery. The writer once met with a printing press of this description. Its owner cited it as a proof of the folly of making any allowance for depreciation. He claimed, with what truth cannot be told, that it was forty years old, it certainly looked it. He betrayed his case, however, by stating that it was one of an original plant of ten presses installed when the business started. Its companions had long gone to the scrap heap, and the survivor was, by its owner's confession, only capable of the roughest kind of work. But he triumphantly claimed it would do *that* as well as a brand new press.

The man who will not allow for depreciation will be always with us, and so unfortunately will the man who insists on writing off too much. The latter is really far more difficult to deal with, as his plea is that he does not want to be fooled by an overestimate of his assets, and wants to have something in hand for hard times. It is certainly exasperating for the auditor who wishes to do more than show the bare amount of the profits, to be confronted with a plant account which has been written down to one dollar or some inadequate figure. The value of a comparison between the profits of different periods is, of course, destroyed, and very often no possibility of estimating the future course of the business remains.

A favorite question with the examiners for accountancy degrees is: How can the auditor be certain that all the liabilities are disclosed on the books? An auditor cannot be absolutely certain on this point. There are, of course, certain features to look out for and

certain precautions which can be taken. Accrued charges of any kind, naturally occur as the most common errors of omission, and the obtaining of statements from all the creditors on the books is a precaution sometimes resorted to, but when every care along such lines has been taken, there still remains a large opportunity for failure to get all liabilities on to the balance sheet. An examination of the inventory and of the invoices passed directly after the close of the fiscal period, will often bring to light many omissions but the deliberate holding back of large expense items, for example, a heavy lawyer's bill, or a judgment for damages, may in the absence of any evidence of its existence, foil the most careful auditor.

Deliberate errors of fraud on a large scale are fortunately rare, when the volume of business is taken into account, and when they occur are more generally found outside of what can strictly be described as bookkeeping. In the small, much-advertised companies which are constantly being ground out, to catch the unwary, however, errors of accounting which it is charitable to suppose are made in ignorance continually occur. The most common of these is the custom of counting as profits the proceeds of the shares sold to the public. The method used is as follows: A property of the agreed value, say \$100,000, is purchased from the vendor for \$1,000,000. The vendor then returns \$900,000 in shares to the treasury of the company. In this way the shares have been issued fully paid and non-assessable, and the property stands in the books at \$1,000,000. The public are then offered shares worth \$1 fully paid, etc., etc., for the trifling sum of five cents,—all subscriptions received are reckoned as profits, and if the demand is brisk, the price is rapidly advanced and larger and larger dividends declared. This continues until the shareholders discover that they have been paying office rent, salaries, and advertising for the privilege of receiving as dividends a moiety of the capital which they have invested. If they get off at that, they are fortunate, for many such schemes have little to distinguish them from the "get-rich-quick" frauds, except greater difficulty in bringing their promoters to book.

While frauds on a large scale are comparatively rare, embezzlement by employees, which are covered up by falsification of the books, are unfortunately only too common, and the exposure of the culprits forms one of the most disagreeable of the accountant's

duties. No rule can be laid down for the detection of errors of this kind, except the exercise of extreme care. The greatest difficulty often is, to catch the end of the thread, and to grasp the methods by which the embezzlement is concealed. The writer once had a case, where the first clue he obtained that anything was wrong, was the fact that a cheque for the petty sum of \$1.65 was offered as a receipt. It can only be supposed that this was a slip due to the necessity of producing a balance in a hurry, for the culprit was an expert book-keeper, but it was one of the slips that almost invariably occur in such cases.

We have finally to inquire: How are certain leading accounts usually audited? The following have been selected for study: (a) Credit sales; (b) accounts and bills receivable; (c) depreciation; (d) surplus.

To make sure of the correctness of the sales as stated in the books, is only possible in an audit of a small business, for it necessitates the checking of every shipment or delivery made. This is, of course, impossible in the case of a large concern, and if the accounts will stand a certain amount of testing, they are generally assumed by the auditor to be correct. How these tests are to be applied and the extent of their probable accuracy, depends largely upon the comparative perfection of the accounts to which they are applied. Where a continuous inventory is kept, the check can be made much more efficient than where this is not the case. Perhaps the easiest business to check up closely in this respect is in the jewelry trade, for although the value of the gems contained in the inventory can only be appraised by experts, at least the more important items appear in the books under certain well-defined numbers, and it is a comparatively easy matter to trace them if necessary. Each class of stone has its distinct number; diamonds or packets of diamonds in the case of small stones may be numbered from one to five hundred; pearls from five hundred to one thousand and so on, so that with reasonable care every sale can be verified. In the general run of businesses, however, no such thorough check is possible, and the auditor must depend on comparison between periods, and on the exercise of ceaseless vigilance to save him from a false step. Details which demand especial attention, are the charging up of packages which will be allowed for on return, and the provision for returns and allowances.

It should be possible, as a rule, to make sure of the value of bills receivable, as they are limited in number. They should be listed, those which are overdue noted, and a lookout kept for long-continued renewals and accommodation paper which may be a liability instead of an asset. Accounts receivable, on the other hand, are often so numerous that their close scrutiny is impossible. Where this is the case, a "controlling" account is generally kept. The total of this account should be proved with the summary of the debtors' ledgers, and the provision of an adequate reserve for bad and doubtful debts and returns and allowances should be insisted on. Certain accounts taken at haphazard should be checked and any unusual features noted. It is impossible to lay down any law as to the maximum period of credit that should be allowed before an account is considered doubtful, for a great deal depends on the peculiarities of the trade under review. The indiscriminate charging off accounts receivable is, however, to be deprecated as long as a reserve proportionate to the average loss in prior years is set up. As a matter of fact, the collection of an account is only impossible:

- (1) When the debtor has received his discharge from the bankruptcy courts.
- (2) When he is dead and his estate has been administered.
- (3) When a composition of the debt has been accepted.
- (4) When he has successfully defended an action brought against him for recovery of the debt.
- (5) When action is barred by the Statute of Limitations.

This does not necessarily mean that all such accounts should be left in the active ledgers, but that the possibility of their recovery should not be lost sight of.

The question of depreciation is one of the most complicated with which the auditor has to deal. As a matter of fact, the adequacy of the allowance made under this head is generally more a question for the engineer than for the accountant. Two considerations must be recognized in dealing with the question: (1) The ultimate expiration of the useful life of the object to be depreciated, which is inevitable; and (2) the chance, especially in the case of machinery or process plants, of its continued use becoming unremunerative on account of more economical methods being discovered, which is very possible. As a rule, the auditor had better confine his attention to an endeavor to have some allowance for depreciation made in the accounts and to seeing that such allowance is made in a form which is likely to produce satisfactory results.

The three most usual methods of making such an allowance are: (1) By writing off a percentage of the cost each year. (2) By writing off a percentage on the diminishing value. (3) By setting aside a sum which on an annuity basis will return the cost at the expiration of the object's probable life. It is claimed that the last of these methods is the most scientific, but from an accounting point of view this is open to question. The value of any set of accounts is enhanced by the extent to which they make comparisons between different periods possible. It is needless to point out that as a general rule the greater the age of buildings, machinery, etc., the greater is the cost of keeping them in repair. If it is desirable, therefore, to determine the average plant cost of an article produced by any machine, it is necessary to divide the total original cost of the machine, the expenditure on the necessary repairs during its life, less its residual or scrap value, by the total output during its period of production. The result will be the average cost of each unit manufactured. Such a calculation can, of course, only be made after the machine is worn out, but the theory of the question should be borne in mind. Since the necessary repairs must invariably increase as the machine's period of usefulness expires, approximately correct results can be obtained only by decreasing the charge for depreciation as the cost of repairs increases. On this basis, therefore, the second method mentioned is the more commendable.

The subject is far from exhausted, however, even when the problems of dealing with wear and tear are satisfactorily settled. A number of objects subject to depreciation remain, such as patent rights, premiums paid for leases, and allowances for the exhaustion of mineral-bearing land.

As the exact life of any patent right is known, this class would appear to offer few difficulties. It must not be overlooked, however, that the good will created during the protected term may be considerable and may even exceed in value the original cost of the patent itself, or that the term of life of a basic patent may be greatly prolonged by patentable improvements being made, prior to its expiration. The term of a lease determines the amount which must be allowed for its extinction; and in both these cases the annuity basis for figuring depreciation is the most desirable.

The depreciation of mineral-bearing lands can be conveniently illustrated by coal mines. In this case, interest on the investment

should be allowed each year, and an estimated provision per ton of the coal mined should be made to offset cost of the property by the time it is exhausted, plus the interest for the year in which the output was made. Any residual value such land may have must also be taken into account.

A surplus may be defined as the excess value of the assets over the combined liabilities and capital. Where the accounts of an ordinary commercial concern are under consideration, many accountants prefer to call this excess the balance of profit and loss account, general profit and loss account, or some such term, in order to make a distinction between the surplus of a bank or similar institution, and that of other businesses. The accuracy of the surplus must, of course, depend on the accuracy of every other item entering into the balance sheet. If the balance sheet were an absolutely correct statement of conditions at all times, the certainty of the surplus being properly stated would be a simple matter. This, however, is only the case before the ordinary concern has done a stroke of business, or when its affairs have been finally liquidated. Every balance sheet between these periods is, to a greater or less extent, an estimate of the condition of the business. Consequently, the auditing of a surplus consists of carefully gauging the correctness of every other portion of the accounts. Perhaps as good a way as possible of illustrating this, is to take the case of a business which has set aside a certain reserve for some purpose, for a reserve and a surplus have much in common. We will suppose this reserve has been accumulated to provide for new machinery when the old is worn out, and that, as an extra precaution, the cash so set aside has been withdrawn and invested outside the business. The balance sheet might then appear somewhat like the following:

ASSETS.		LIABILITIES.	
Real estate, machinery, etc.	\$1,000,000	Capital	\$1,250,000
Investments for sinking		Reserve for depreciation	
fund purposes	250,000	of machinery	250,000
Current assets and inven-		Current liabilities	500,000
tory	850,000	Surplus	100,000
	<hr/>		<hr/>
	\$2,100,000		\$2,100,000

A layman might well hold up such a statement as a model of conservative management. If, however, the auditor on examination found the current assets and inventory contained worthless items

amounting to \$500,000—of course, this is stating an extreme case—and an appraisal of the real estate, machinery, etc., showed its true value to be only half what the books stated, he would have to reconsider his opinion in the light of such a statement as this.

ASSETS.		LIABILITIES.	
Real estate, machinery, etc.	\$375,000	Capital	\$1,250,000
Investments	250,000	Current liabilities	500,000
Current assets and inventory	350,000		
Deficit	775,000		
	<hr/>		<hr/>
	\$1,750,000		\$1,750,000

Such a radical change—no greater than has actually been proven necessary in the cases of many bankrupt corporations—is worth a little consideration. The reserve set aside to provide for depreciation, its inadequacy fully demonstrated, disappears, for a reserve and a deficit would be indeed incongruous neighbors. The sinking fund so conservatively provided for the purchase of new machinery has sunk out of sight, and the cash invested in its securities will barely suffice to restore the equilibrium between the current assets and current liabilities. The company which made so brave a showing on paper remains, its capital impaired over 60 per cent and with a poor \$100,000 working capital left, is about ready to join the ranks of those corporations whose reconstruction is so distressing their unfortunate shareholders at the present time.

The services to be rendered by the public accountant are not however confined to the correction of errors and abuses. His training and independent position enable him to suggest improvements in most accounting systems, which probably would not occur to those in charge of the banks. Where his visits are made periodically they are apt to correct that tendency to get into a rut, which is the bookkeeper's most common failing. Ignorance and not fraud is the frequent cause for the failure of firms and corporations, errors which at the beginning would be readily rectified, being allowed to cumulate until their effect is disastrous. Of late years accountancy, as a profession, has materially advanced in proficiency and public esteem. It mainly depends on the business man how rapid the progress is to be in the future and to what extent he is to be benefited both in his personal affairs and in his responsibilities as a corporation director.

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Philadelphia.

THE LABOR SYSTEM OF THE JOHN B. STETSON COMPANY.

The labor situation being part of the industrial situation as a whole, it necessarily changes as that develops. So no system of dealing with labor is of great permanence and no system is capable of general application without some, generally great, modification to suit it to local conditions. Every concern of importance experiments with new methods, until it finally evolves a plan from its experience which is more or less completely enforced in treating with its employees.

The John B. Stetson Company of Philadelphia is a stock company capitalized at \$4,000,000 and organized to engage in the manufacture of fur-felt hats of the finer grades. While the scope of its product is thus limited, the quality desired in the product has demanded, and motives of economy have urged the incorporation in the company's plant of various subsidiary industries usually operated as businesses independent of hat-making proper. Chief of these operations which the John B. Stetson Company has added to the numerous operations of the hatter are the making of machines, the cutting of fur from skins imported in a raw state and the preparation of the fur for the felting process, the weaving of silk into bands, the cutting of hides into sweat leathers, the printing of dies on the leathers, and the making of boxes. In the aggregate the manufacture of hats becomes a complicated process requiring labor of many diverse forms. The labor is divided among about twenty-four hundred employees, of whom nineteen hundred are male and five hundred female. All but one hundred and fifty are over sixteen years of age and this number comprises sixty-nine boys and eighty-one girls.

The objects sought to be obtained by the application to this body of the labor system to be described may be thus outlined:

1. The accomplishment of work of the best quality possible.
2. The accomplishment of work in quantity to meet the demands of the business.
3. The accomplishment of work at such cost that the product will be profitable.

4. The maintenance of working conditions as healthful and agreeable as possible.

5. The encouragement of personal interest on the part of the individual employee in the business as a whole.

6. The promotion of the general well-being of employees through institutional establishments.

These objects are not co-ordinate, as there is an important bearing of the last three upon the first.

Unskilled labor and mere machine operation occupy comparatively few of the employees of the company. The work of the largest and more important departments requires skill of a high degree. Experience has shown that this skill can best be acquired by having boys taught in the departments themselves. To this end the force is recruited almost entirely by means of apprenticeship. The elasticity of the working force necessary to meet the demands of the business is maintained by the extension or restriction of the number of boys indentured. Shorn of its quaint phraseology which recalls the mediaeval guild, the principal provisions of the indenture are: (1) Service on the part of the apprentice for at least three years; if he be under eighteen years of age, until majority. (2) Obligation on the part of the company to furnish necessary instruction. (3) A wage of two dollars a week. In practice the company pays the apprentice after the first year on a piece-work basis by which fair efficiency earns an amount far above the stipulated sum. At the termination of the period of apprenticeship each employee who has faithfully fulfilled his obligations is given a sum amounting to one dollar for every week served, a sum ranging from \$150 to about \$300.

The primary result of apprenticeship is a high order of skill in a special line of work. In addition the long period of service tends to create a feeling of personal interest on the part of the employee in the interests of the company. A permanence and solidarity of the working force is attained impossible under any other system. Having thoroughly learned his trade in making Stetson hats as an apprentice, the journeyman is very unlikely to leave the employ of the company when his indenture ends. Furthermore, the system discourages the migratory habit so common among workmen, a habit of moving from shop to shop for little reason, which is destructive in its tendencies both to discipline and to good work.

The system of promotion is based upon the same idea. Practically all the journeymen have learned their trade as apprentices of the company. From the ranks of these men it is the policy of the company to fill the higher places. The great majority of the foremen are men trained from boyhood in the works who show special skill and ability to be leaders of the other men. This promotion from within is a strong incentive for the ambitious employee to faithful and efficient service, and likewise tends to the same solidarity of interest or *esprit de corps* as results from the system of apprenticeship.

The separation of races is another interesting feature of the organization of the labor force. The different kinds of work embraced in the business have appealed to different classes of workmen. Some require a considerable mechanical skill or manual dexterity. These appeal to Anglo-Saxon intelligence and quickness. The same reason causes them to dislike mere labor or labor coupled with unpleasant conditions such as in the "sizing" and "blocking" departments where almost constant labor in very hot water is required. It was found necessary to draw from different sources for this supply, and the races of southern and eastern Europe were found most available. These departments soon became characterized by the large majority of such people employed in them, and race antipathy was sufficient to stop further entrance to these departments of other races. The interests of discipline and efficiency demanded recognition of the mutual antipathies, and in the interest of harmony certain elements are now confined to certain departments.

Aside from the general plans outlined, there are certain specific schemes, adopted from time to time by the company, for the protection or encouragement of employees, which are partly benevolent and philanthropic in their nature, but which also have a value disciplinary in a broad sense. It is the policy of the company, so far as possible, to encourage the employee by his own achievement to make his way, to help himself, and to provide himself against the needs of old age. The company furnishes the opportunity which takes the following eight forms:

1. *Prizes for apprentices.*—In connection with the celebration of Christmas it is the custom to present to the employees gifts in various forms of considerable value. They are made as rewards of

merit, an exact record being kept of the quality and quantity of the work of each apprentice as the basis of distribution of prizes ranging from five dollar notes to watches of a value of fifty dollars. Last year two hundred boys participated in the lowest award and forty in the highest, with various numbers in the intermediate classes receiving prizes of ten and twenty dollars, 90 per cent of the apprentices participating. Special prizes of still greater value were given to apprentices for particularly good records, including money and paid-up shares in the building association.

2. *Bonuses for faithful work.*—In departments where foreign workmen are largely employed, the proverbial uncertainty of hatters and the irregularity with which they worked led the company to the adoption of a system of bonuses paid at Christmas to the men who had worked continuously and faithfully throughout the year. The first year of the operation of the plan, 5 per cent of his earnings for the year was paid to each faithful journeyman. About 20 per cent of those to whom it applied earned the bonus. The two following years 10 per cent was paid to an increasing proportion of the men. Last year the percentage was increased to 15 and about 90 per cent of the men had worked with sufficient fidelity to participate. Altogether it must be pronounced successful, although it should be added that some men, who for the sake of the bonus were able to control themselves on Saturday throughout the year, were unable to do so on Christmas.

3. *Building association.*—The John B. Stetson Building Association is intimately connected with the manufacturing company. It was organized to encourage thrift, to spread home influences, and to increase the permanence of the working force. It has a large membership, of which over 50 per cent is drawn from the employees. Fifteen per cent of the male adult employees now own their homes.

4. *Savings fund.*—Thrift and economy are encouraged and hoarding discouraged by the maintenance of a savings fund in which 5 per cent interest is paid. Any employee may deposit to the extent of ten dollars per week. Over three hundred employees now have accounts in this fund.

5. *Stock allotment.*—In 1902 the company placed at the disposal of the president, to be allotted to employees, 5,000 shares of its increased common stock of a par value of \$500,000. This stock is

placed in the hands of trustees for the benefit of the employees to whom it is allotted. No payment is made by the employees. The shares are to be paid for at par virtually by their own dividends. At dividend periods an amount equal to the dividend on the shares allotted, less 5 per cent interest on the unpaid balance on the shares, is paid to the trustees and applied by them to the payment of the par value of the shares. The employee at his option may draw annually from the dividend not to exceed 5 per cent of the par value of the shares allotted him. At the end of a period of fifteen years, if paid up, the shares are to be transferred absolutely to the employee. If paid up before the end of this period the entire dividends are to be paid to the employee until the end of the period. If the employee is discharged or voluntarily leaves the employ of the company during the period, he is paid the par value of the shares paid up at the time. If he is disabled or dies, to him or his estate is transferred the number of paid up shares. As the market value of the stock is much above the par value, the latter method of settlement gives a greater value. A desirable form of insurance is thus created. About one-half of the 5,000 shares have thus far been allotted to about two hundred and fifty employees in amounts from five shares upward.

6. *Beneficial fund.*—The company maintains a beneficial fund by a monthly assessment not exceeding twenty-five cents on each employee. Deducting a small amount paid for the services of a physician, the whole of the sum collected is paid in benefits. Adult employees incapacitated for work by illness or injury are paid five dollars a week. In cases of death the sum of one hundred dollars is paid. During the last year, 381 employees received sick benefits from the fund in various amounts up to twenty-five dollars and payments were made in thirteen cases of death.

7. *Pensions.*—A system of pensions for aged or disabled employees has been instituted. Its scope, however, is very limited at present, owing to the youthfulness of the business and the fact that cases of need among old employees are rare.

8. Besides the above a number of institutions have been established of a more usual and general nature. A mission organization has for many years been maintained by the company. The plant includes a hall with a capacity of 2,500 used by a Sunday school, week-day meetings, a musical society and various organizations,

religious and social. A free circulating library is operated in connection with the Sunday school. A hospital and dispensary is maintained, the history of whose work with limited space and facilities is very creditable. Its benefits are not confined to employees, but are open to all and treatment is free in cases of need. At the present time the company is engaged in building a thoroughly equipped modern hospital building to meet the needs of the neighborhood.

The whole object of these schemes has been the protection and encouragement of faithful, efficient service and personal well-being and honesty on the part of all employees. They are all the result of the practical knowledge and experience of the company's management. The success of the company depends entirely upon the ability of the officers in managing it. The most important element of this is the operation of a successful labor system and that depends upon the establishment of confidence on the part of the laborers in both the ability and fairness of the officers. The constant effort of every department is to reduce the cost of its output. How this is done is a most important point in the maintenance of the complete confidence which has been established. It may be done in three ways: By reducing the cost of labor, by saving on the material, or by obtaining higher efficiency in the production. The fact that the foreman usually has grown out of the labor class should be sufficient to restrain him from unfairness to it, but a sharp watch is kept to prevent the possibility, and complaints are always investigated. A boy or girl is not allowed to do what a man could do better. The management is always on the lookout to see that decreased cost is attained by economy of materials used or greater output, rather than at the expense of the wages of efficient employees.

The success of the labor system of the John B. Stetson Company is a difficult matter to put in definite terms, but the superficial evidences can be pointed out. The industrial progress of the company shows that the system pays in a financial way, while the prosperity and happiness of the employees, the freedom in the entire history of the business from any serious disagreement are evidences of the general satisfaction of the employees with the system.

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PRESENT DAY JOBBING ✓

The purpose of this paper is a discussion of the jobbing business of the United States and some of its associated problems. Necessarily so many lines of trade are included, comprising food-stuffs, utensils, apparel, and mechanical supplies, covering so vast a field that it becomes impossible to fully present or even to do justice to the subject. But the methods and position of this class of distributors of manufactured products are on the whole the same and it therefore matters little that the subject is treated from the standpoint of a single one of these, a hardware jobber.

As commonly practiced, the process of distribution is threefold, comprising the activities of the manufacturer, jobber, and retailer. The manufacturer makes the goods from raw material and sells them in large quantities to the jobber, who in turn distributes in smaller lots, and oftentimes on easier terms, to the retailer. There are exceptions to this, but as a rule the manufacturer does not reach the retailer, much less the consumer, directly, and cannot do so to advantage. The jobber is an intermediary who assembles various lines of goods, carries a large and assorted stock, and by means of traveling salesmen and other agencies, sells these goods to the retailer in small assorted lots, while the retailer supplies the consumer.

The jobber stands in a very important position to the manufacturer, in that he purchases goods in large quantities. For many things, the demand is seasonal and must be supplied in quantities at one time. Economical manufacture demands a regular, even output, and most manufacturers lack both the capital and the facilities for storing their output against a heavy and brief demand coming at long intervals. The jobbers unite in taking this output off the manufacturer's hands, storing and paying for it, so that the manufacturer is provided with current funds instead of being forced to borrow large sums against the ultimate sale of an accumulating stock. In but very few lines is it practical for the manufacturer to reach the retailer or the consumer direct. The jobber keeps a varied stock, which is constantly growing more and more diversified and complex, and justifies his existence by selling these goods in assorted lots on a small margin of profit to the retailer, on terms

which are favorable to the small dealer, and oftentimes carries him through dull seasons, and aids in the development of his business.

The jobber distributes these great stocks of goods by means of extensive stores and warehouses, a large corps of traveling salesmen, and an office force well equipped with buyers, bookkeepers and correspondents.

The jobber, as he is known to-day, is a modern product, having existed only since the introduction of the factory system. When goods were almost entirely made by hand, the artisan was usually his own retailer, and not only did the manufacturing but sold his wares directly to the consumer. A large proportion of all the articles made two hundred years ago were made to order only. Of course there were exceptions, as in the case of imported goods. The old caravan routes crossing Asia and Europe are a proof of this fact, but the total sales made in this way were trifling compared with the dimensions of trade to-day. The local artisan knew his customer, but with the advent of the manufacturer, production became so great that manufacturers soon lost sight of the consumer. They now made the goods in quantities and sought some one to distribute them. This distributor was found in the jobber.

Fifty years ago the jobbing business in this country was controlled by four Eastern cities, New York, Philadelphia, Boston and Baltimore. Here a few large jobbers won national prominence as "merchant princes," although the aggregate of their business was probably small compared with the jobbers of to-day; but during the last thirty or forty years, large jobbing houses have grown up not only in cities like Chicago, San Francisco, St. Paul and St. Louis, but also in many smaller towns, until we now find it to be a frequent ambition of retailers to class themselves as jobbers, and handle the wholesale business in their own neighborhood. This ramification of the jobbing business is having its effect on the larger jobbers. New York, Philadelphia, Chicago and St. Louis no longer have a monopoly of the jobbing business, although these large cities are not easily deprived of the advantages to which they are naturally entitled by their size.

There can be little doubt that an ambition to do a larger business is oftentimes the prime motive in the development of a retailer into a jobber, and the retailer engaged in this struggle is too apt to rely upon his retail business for his profit, and to consider his jobbing

business as simply so much gain. This is a mistaken view. It often causes much harder work with little or no result, and the small dealer making this venture is very apt to become financially embarrassed in an attempt to carry his smaller customers, while the necessity for buying in large lots, in order to rank as a jobber, and to obtain lower prices from the manufacturers, constantly induces him to over-buy.

The main reliance of the jobber in placing his goods upon the shelves of the retailer is upon traveling salesmen, who take samples of the wares with them and go all over the land, into the smallest hamlet, describing the goods, their origin, their peculiar qualities for sale and for use, and aiding the shopkeeper in estimating the quantity which he will be able to use during that season. The retail trade of this country owes a vast debt to the traveling salesman, for the knowledge given regarding the goods which they handle, the explanation of business customs and training received in business methods and ideas. The traveling salesman is the local representative of the jobber, and if the jobber prides himself, as many do, upon business-like habits, and practical and correct methods, salesmen cannot fail to impart some of these ideas to the dealer. The retailer is constantly growing more intelligent, partly because of his pertinent inquiries from traveling salesmen about the credit and the amount of fire insurance he carries. Such questions bring home to the retailer the necessity of adopting correct business habits.

It may be asked: "Is not the jobber a costly distributing agency?" and it must be conceded that this service is not obtained without expense, but the jobber works on a close margin and the net returns to him are meagre compared with those of the manufacturer and retailer, who both enjoy far greater percentage of profits, while the annual increase in wealth and growth of manufacturers far exceeds that of jobbers. Owing to the severity of competition jobbers are compelled to cut their expenses down to the lowest possible figure, and it is hard to see how goods could reach the retailers in any other way. Under the jobbing system the manufacturer is relieved of the responsibility and immense and often prohibitive cost of introducing and distributing his goods in small amounts. In this age of specialization the jobber is a specialist in marketing goods and makes it his lifelong study to do this economically and to the best advantage.

Is the relation of jobber to manufacturer and retailer to con-

tinue? In order to consider his position more intelligently let us look more closely into the jobber's functions.

1. As a rule, a manufacturer makes a single line of goods and, by reason of his concentration, is able to manufacture cheaply and to the best advantage, but the cost of selling these single lines to the retailer would be so great as to make such a course prohibitive. Some interesting analyses have been made showing the number of various manufactures included in a single bill purchased from a jobber. One frequently sees such charges amounting perhaps to 200 pounds in weight and \$25 in value and yet representing fifteen or twenty manufacturers, clearly showing the enormous cost which would be incurred if the fifteen or twenty manufacturers attempted to sell their goods directly to the retailer, while the freight and express charges on small quantities would alone make such direct dealing impossible.

2. While one or two manufacturers have attempted to make a general line comprising most of the articles needed in one jobbing line, there is no manufacturer to-day who can make a sufficiently varied output to supply all a jobber's needs, and, as we know, the tendency of modern manufacturing is more and more towards the manufacture of a single line of goods—in some cases of a single quality.

3. Frequently, manufacturers do not have sufficient capital to enable them to dispose of their goods in small lots to the retailer. They must have funds, and, by selling in large lots to the jobber, who usually takes the goods in advance of the season and discounts his purchases, they are able to do business on a smaller amount of capital.

4. The business qualities which go to make up the manufacturer and the jobber are oftentimes very different. There are frequent cases where manufacturers are capable makers of goods but not successful in marketing them.

5. The jobber insures the manufacturer a more certain market. We have known large manufacturers, who have had on their books only fifteen or twenty customers, all of whom were large jobbers, while these same jobbers, probably had in many cases three or four thousand retail accounts on their individual ledgers. The manufacturer, therefore, practically knows where he can dispose of his output, and is enabled to do business with greater certainty. In

view of all these conditions, it may well be claimed that the jobber is a most useful and economical factor in distribution. It is not fair to part from this subject without mentioning a development of the last few years, which necessitates viewing jobbing from another standpoint. This is the growth of the so-called catalogue houses. These may be divided into two classes :

a. Catalogue jobbers who, like the jobber, sell to the retailer only.

b. Catalogue retailers who ignore the retailer, and sell directly to the consumer.

Both use the same general methods in trying to buy directly from manufacturers and in sending out large net price catalogues in which they endeavor to outbid all others in making low and attractive prices. This business has had a remarkable expansion, particularly in the West, but side by side has gone the development and increase of the jobbing business. This raises the question of the efficiency of the catalogue as compared with the traveling salesman. There is no doubt that the usual preference of the retailer would be to buy goods from the traveling salesman. Catalogue or no catalogue, moreover, the salesman on the spot will get the order if he meets the price. The jobber has a great advantage through his salesmen over a firm selling by catalogue. He is kept more constantly apprised of local conditions, and so in much closer association with his customers.

Jobbers have always shown themselves ready to adapt new methods and customs. Only lately automobiles have been called in their service. Traveling salesmen may now be found going through the country in automobiles, independent of railroads, time-tables, and annoying waits at railway stations. It is safe to say the jobbers will not allow themselves to be set aside, and including in their class many of the keenest minds in business, they will not be slow to adopt promptly such methods as may be needed to maintain their position. Traveling salesmen were unknown some forty years ago. If the retailer prefers to buy by mail from catalogues, jobbers will no doubt be as ready to dispense with traveling salesmen as they were to take them on forty years ago.

While the catalogue retailer is not specifically included in our discussion his effect on trade relations warrants a few words. The catalogue retailer is an even later evolution than the catalogue jobber.

Several large houses now aim to ignore the local retailer entirely, and sell directly to the consumer. The methods of these houses may fairly be regarded as questionable. The local retailer is naturally more or less prominently identified with local interests, and the merchants of any country town are the pushing and progressive men of the place. They pay local taxes, thereby helping to support the town and county in which they live. They carry their customers, particularly in farming communities and in the South, for long periods. In times of crop failure, or even in good years between crops, the local retailer is oftentimes the main dependence of the farmer, who, without the credit given him by the retailer, would be unable to get the necessities of life. The retailer falls back upon the jobber for similar support in credit, but the benefits conferred by the local retailer in this way are hardly sufficiently appreciated. Too often, the temptation of an apparently low price will cause a consumer living in the country or some small town to send his cash to a catalogue retailer in some large city, while the same day he may go to his local retailer and ask three to six months' credit on something that he is buying from him. One such house, for example, issues a catalogue saying in large type to the consumer: "This gives you the prices your dealer pays for the goods he buys and will prevent him from overcharging you on any goods you buy from him." This is simply a dog-in-the-manger business, entirely ignoring the principle of "live and let live." The moral propriety of such a policy is certainly doubtful.

Apart, however, from the ethics of the case, there are many disadvantages of dealing altogether by mail, as the average consumer wishes to see and handle goods before he buys them. This feeling is so strong that it seems to insure the permanency of the local dealer, and yet if he is to remain, the consumer must realize that he owes a duty to his retailer, and that it is not fair or right to send his money to a catalogue house at a distance, while he compels his local retailer to wait for his money until he sells his cherries in the spring or his corn in the fall. If the local dealer is to remain, how can his wants be supplied except by the jobber?

Jobbing ethics, on the whole, are most creditable. All first-class jobbers to-day act on the principle that they are in business to stay. Many can boast a history of from fifty to one hundred years, and no jobber can expect a continued existence unless he prac-

tices honorable methods, thereby winning and retaining the respect and confidence of the trade. The inducements the jobber has to offer to-day are those of location, size and variety of stock, prompt shipment, courteous attention, fair treatment and low prices, and much attention is paid by all progressive houses to the improvement of these advantages.

As for the traveling salesman himself, it may be said there has been a decided development in his character and habits. The old-style traveler, who was always associated with late hours and whose disposition was to treat his customers to liquor, is largely passing away. A certain mayor of Philadelphia in an attempt to abolish music gardens gained notoriety by his remark, "Beer and music won't mix." The general consensus of opinion in the jobbing trade is that liquor and business will not mix, and the successful salesman of to-day must not only be a man of reliable judgment, bright and enterprising, but he must also have clean habits and a good character.

Recent years have shown in some lines of business the tendency of jobbers to come together in jobbing associations, and this is in line with the general trend of industrial affairs. These jobbing associations, as a rule, do not partake of the nature of a trust, and are a menace neither to the retailer nor to the consumer. An evil factor in competition has been personal feeling, and jobbers, frequently in the same city, have oftentimes sacrificed profits simply because, not coming in contact with fellow-jobbers, they have taken for granted that their competitors were not worthy of acquaintance, and simply fit subjects for commercial war. Jobbing associations have done much to remove this personal feeling. The mere fact that the members meet occasionally, and perhaps once or twice a year sit down together to dinner, goes far toward breaking up this feeling of personal animosity which is far too costly to be carried into modern business. It is rarely that such associations attempt to regulate prices, but by free interchange of information, they prevent the spread of unfounded reports, and working together are able to take up such matters as freight charges, postal and express rates, and trade abuses; while some associations have deliberately pursued a policy of educating their own weaker members into proper business habits.

These associations also stand in important relation to the

manufacturers, and have frequently been able to induce them to adopt better methods in the disposal of their goods. The associations have taken the view that jobbers are the natural outlet for the manufacturer, who should regard the jobber as his selling agent, and not his enemy, and that their interests are joint and often identical. Manufacturers have in many cases readily responded to this liberal idea, and an element of harmony has thus been brought into their relations. In all such matters, jobbing associations have been highly useful, while in these days of mammoth corporations and trusts, they have often been able to command a hearing where the individual jobber would have been ignored.

Such, then, is a brief account of the jobber as he appears to-day. He is the outgrowth of modern business conditions, and well equipped to distribute cheaply and to the best advantage, the vast volume of goods daily outpoured by manufacturers who find it impracticable to market their goods directly. There seems to be no other channel through which the retailers can be so economically and advantageously supplied with a sufficient assortment of goods in all their variety of sizes and styles. No other agency offers to carry the retailer financially through dull seasons and times of stress, and without the jobber, manufacturers would often find it impossible to obtain proper representation to the retailers. The jobber has won his position by hard, intelligent work and economical service, and is apparently an indispensable agent in the distribution of goods.

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THE IMPORTANCE OF COST-KEEPING TO THE MANUFACTURER

Shop economics is a subject which has, of recent years, received a great amount of attention from various writers. All of the important engineering and technical journals are devoting many of their pages to the discussion of this important subject. It has been discussed with more or less ability, in all its phases and details.

In order that the manufacturer may secure maximum production at a minimum expense, it is absolutely essential for him to know what his product is costing him. Not only is it essential to know the gross *cost*, but he must also know the cost at each stage of production. The three important divisions of the cost of any manufactured article are: Labor, material and general expense. The simple record of time and wages, in the pay-roll book, might appear to be sufficient as far as labor is concerned. If the subject be carefully analyzed, however, two very important subdivisions of labor will be found; namely: Productive and non-productive. Productive labor is the labor expended in actually producing something. Non-productive labor is the labor which is not directly chargeable to some specific factory or production order. Each of the above elements of labor can be analyzed into other elements of importance.

To a person unfamiliar with the subject, a cost sheet might be looked upon as something valuable merely as a means of determining or fixing a selling price for a given product. While this is, of course, one of its functions, the general information it places in the hands of the manager is of no less importance. In the analysis of time and wages the cost account should so record all the factory expenditures as to enable the manager to be always ready to place his finger upon any unusual, or seemingly exorbitant, item of cost or expense.

In dividing productive labor, the time and wages should be recorded as follows:

In the first place, it should be charged to its respective factory, or production order, and then to the component of that order on which it was expended. If the mere fixing of a selling price for present and future articles were all that was required, this would be far enough to carry the analysis; but its advantages will be much

greater if the analysis be carried still further. The time expended and wages incurred on each operation should be fully recorded. For instance, if one of the components of an order was a cast spur gear, the operations on this gear would be, in their proper sequence, as follows: Boring, facing hubs, keyseating, and drilling and tapping for set-screws. It is obvious that should the total time for these four simple operations be recorded as a lump sum of time and money, the manager would not be so well able to locate errors as he would if the time and wages were charged against each operation. It is equally apparent that if proper use was made of the information so recorded, as by comparison of different records for the same or similar operation, the manager would be enabled to see where leaks occur, and take steps to reduce subsequent costs, providing better methods or more skilled men could be found.

Besides, the cost reduction that could be accomplished on subsequent orders, it is also possible to hold down cost of operations on running orders whose components contain elements of time greater than those enumerated above. To accomplish this, it is absolutely necessary that all time and wages be entered in their proper places not later than the morning of the day following their expenditure. All of this demands hearty co-operation between the shop manager and the cost-keeper. The cost-keeper finds and points out the high cost, and the manager locates the cause and applies the remedy.

Turning now to the consideration of cost-keeping for non-productive labor, this must be subdivided into the various charges of expense, namely: Superintendence, foremanship, clerk hire, repairs, maintenance, power, heat, lighting, etc. This work of subdivision may be carried out to any degree of refinement desired. The finer these elements are subdivided the easier it will be for the manager to correct errors and reduce costs.

The consideration of these two important divisions of labor has thus far been in connection with the whole plant. In an establishment where but one manufacturing department exists, or one class of work is performed, this is sufficient, but, as most manufacturing consists of several separate and distinct classes of work, it is necessary to analyze still further.

Take, for example, a plant where it is necessary to maintain the following departments: Smith shop, machine shop and pattern shop. By careful thought, one can readily reason that the burden

of expense will be much greater in some of these than in others. For instance, take the smith shop with its equipment of steam hammers, forges, furnaces, formers, dies and miscellaneous small tools. These, while low in first cost as compared with the expensive equipment of the machine shop are relatively high in the cost of maintenance, due to rapid depreciation by reason of the severe duty to which they are subjected.

By such a line of thought it is easy to decide that it is important to fix, by a proper system of accounting, the relations between "productive" and "non-productive labor" of each department. Without such a division, it would be impossible to tell whether or not all of the departments were paying investments. The business, as a whole, might show a profit, but if such an analysis were made, some startling conditions might appear. The smith shop might show up in such a manner as to prove, conclusively, that it were better to abandon it altogether and buy the forgings, or to make further investment in equipment and management to cheapen production.

To describe the forms and methods necessary to accomplish this accounting for labor, would require more space than the writer has at his disposal. Briefly, a time card must be made for each operation a workman may perform on a component. This time card should bear the date, workman's name, number or name of machine, production order number, name or symbol of component, number or name of operation, number of pieces finished, time of starting, time of finishing, elapsed time, rate per hour, and total wages. These cards should be posted on the cost sheets not later than the day following the work.

Next in importance to the accounting for money expended upon labor, is the accounting for that expended upon materials, raw and finished. When considering the subject of cost-keeping, it is necessary to include all the divisions of shop accounting. This is true because it is in this department that the results of all accounting find their final use, and it is from here that the utility of all is made apparent. The keeper of rough and finished stores must make his final returns to the cost department, and then, in turn, they are charged to the order or item to which they belong. All material spoiled when received, or in handling in process of manufacture, must be properly accounted for, and finally charged where it truly belongs.

There are many manufacturing plants that are, to a casual observer, run on very improved methods, and which, while they are probably paying dividends, could very materially increase these dividends by simply keeping the floors clear of bolts and such other small items of stock as become buried in the accumulated litter, and which finally find their way to the scrap heap when the great day of house cleaning comes around. The value of a careful and correct system of stock accounting, and clean floors, was recently illustrated by the president of one of Philadelphia's important industrial establishments. He asked the following questions of one of the foremen who had allowed the floors of his department to become covered with bolts and similar small articles of stock. His questions were: "Have you ever visited the United States Mint?" The foreman's reply was: "Yes!" "Well, then," said the employer, "did you see any pennies, nickels, or dimes lying about the floor?" "No, sir," answered the foreman. The employer then asked, "Do not these bolts, etc., represent pennies and dimes, and should they not be placed where they can be made to show their value and become an asset to the company instead of just so much rubbish?" There is but one answer, for every cent expended in a manufacturing establishment for anything that is not at all times available as an asset, or properly accounted for, becomes just so much of a reduction to the profits of the business. In addition to this, the bad effect of such a system of slovenly management is very far-reaching in its influences on the employees.

In a certain large plant, where a pressed steel product is manufactured, the care taken to account for the scraps of steel is most impressive to any one interested in cost-keeping. At these works every pound of steel is followed with its own dead, or flat, cost price until it finds its way into the finished product. By this means all steel is charged against the product into which it enters, at exactly the pound price paid for it from the mill. In addition to this each order is charged with exactly the amount of scrap made necessary to produce it, and in this way the cost of the product is as near correct as it is possible to make it, so far as the material side is concerned. The scrap is treated as a by-product, and, when sold, it is credited to manufacture. No investigation of the method of accounting for the time was made, but I believe it fair to assume that it is equally as well taken care of as the material, inasmuch as the general

manager stated that he had recently compared the shop accounting with the commercial accounting for a period of six months, and had found them to balance within \$98. This is certainly excellent when one considers that the business for these six months had amounted to many thousands of dollars. This result is even more astounding when one realizes that but four clerks were employed on cost work, one of these being the cost-keeper himself.

In considering the accounting for material in connection with any cost system, it would be well to keep the above illustration in mind, as it is, in the writer's judgment, about as near perfection as it is possible to reach.

When considering the subject of general expense, it is to be recommended that each article manufactured should bear its proportionate amount of this expense. This general expense should be divided into expense of administration, fixed charges, and general shop supplies. It is desirable, as a subdivision of the fixed charge cost account, to keep a machine cost sheet, and in this way make each article carry very closely its proper amount of general expense.

In order to consider the reasons for this, it is necessary to examine the other method of distributing this expense over the costs, namely: the fixing (by deductions from figures previously compiled) a percentage of the total productive wage bill which will cover the total non-productive labor and general expense.

After this percentage has been decided upon all productive labor is made to bear this percentage, and in that way the amount is charged up to the cost of each piece.

Example:

$$\begin{array}{rcl} 2 \text{ Hours @ } 30c. & = & .60 = \text{dead cost} \\ 50\% & = & .30 = \text{general expense, etc.} \\ \hline & & .90 \text{ Mf'd cost.} \end{array}$$

Let us now suppose that the above two hours were turned in by a man working on a four thousand dollar (\$4,000) boring mill. This mill, in addition to the first cost, would require considerable time and money expended for maintenance and a valuable collection of small tools and accessories, together with power used and floor space occupied. All that would be charged to this work would be thirty cents (30c.) to cover the above.

The other extreme to this would be a man working on floor work with a hammer and chisel. He, too, works two hours, rate also thirty cents per hour. The cost of his work would be figured as follows:

$$\begin{array}{rcl}
 2 \text{ Hours @ } 30c. & = & .60 = \text{dead cost} \\
 50\% & = & .30 = \text{general expense, etc.} \\
 \hline
 & & .90 \text{ Mf'd cost.}
 \end{array}$$

Here again we have thirty cents (30c.) charged to cover the general expense, depreciation, etc. In one case the man using an equipment representing a large investment, and in the other, one that costs but very little. It is obvious that such a method will make the costs much too low in one case and much too high in the other. The safer and better way is to fix an hourly rate to cover each machine in the shop and then finally a percentage to cover that expense which is not directly chargeable to the machines, and add this percentage to all labor, whether hand or machine. In this way the general expense will be properly placed against the work to which it belongs.

There are many cases where too much detail is gone into and too much system applied; and in them the ability of the manager will be first apparent. He will know just how much refinement his business requires, and, finally, after he gets it, he will know how to apply it to an advantage. Why should a manager waste his time running about the plant looking up trifling details, making himself—and in the majority of cases the people who are paying him a large salary—believe that he is a much overworked man, and finally end in having an assistant to help him in this never-ending search for information, which, even if they find it, will never be put in proper form to be of future use. By this line of argument, it is not purposed to advise, or even hint, that a manager should not give his attention to details, but, on the contrary, to say *most emphatically*, that he should have a system of correct forms and a trained force of clerks to collect this data, and day in and day out, present to him, in their proper sequence, the facts relative to these details of his business, so that he may make his comparisons and thereby cheapen his production, hold down the running expenses of his business, and readjust his employees' wages.

The readjustment of wages is a very important detail in connection with any business. A capitalist does not invest his money in a miscellaneous lot of securities and enterprises and then, because on the whole he makes money, lose sight of them individually. He keeps his eye on each one, and knows exactly whether this one pays, or that one does not pay. When he finds one that does not pay, he rids himself of it as soon as convenient and with as little loss as possible. A number of employees paid wages for performing certain duties are just so many investments of capital, and they should be accounted for just as carefully as stocks, bonds and like securities. A manager cannot adjust wages with judicial fairness if he has not always before him a personal account with each man employed, and he cannot have this record unless he has a complete system of cost accounting. He will never accomplish this, as so many hope to do, by simply making trips through the shop or factory and making an observation of first this or that man, and saying to himself, "Well, 'Smart' is certainly a first-class man, but 'Steady' is only fair." Take such an observation, for example, as to the fairness of this style of keeping a record of individual workmen. "Smart" is the man who is always on the lookout for the "Boss," and can generally be relied upon to tell you correctly, if you are on the hunt for that individual, where to find him, or at least the direction in which he was traveling five minutes ago. He always knows whether the "Boss" is where he can see him, and whether he is observing what he, "Smart," is doing. What is the result? Whenever the "Boss" is looking, "Smart" puts on an extra spurt, makes a great pretence of fast work and close application to duty, and keeps this up just as long as he is being observed; but as soon as the "Boss" turns his eyes, or has passed out of observing distance, "Smart" puts just as much energy into figuring out where and when he is likely to turn up again. In consequence his day's work is made up of a few spurts, and a tremendous amount of energy expended in figuring out how to fool the "Boss."

What about "Steady"? He is working right beside "Smart," but he is attending assiduously to his work and minding his own business, and doesn't even know that he is being observed. There is no apparent rush or hustle about his work, and none of the seeming speed or vim that we have noticed in "Smart," at this particular moment, and he must naturally appear at a decided disadvantage

beside his shopmate "Smart." The result of the observation, in the mind of the "Boss," then is, as described above, that "Smart," is a first-class man, and "Steady" is only a fair one. When the day for raising wages comes around—and such managers generally have a certain time for raising wages—"Smart's" pay is increased and "Steady" is left at the same old rate, and after a sufficient number of observations, he is probably dropped altogether, and the manager proceeds to look for another "Smart." It is evident that such a method of judging the value of men is very unjust and very detrimental to the business. Should a manager persist in weeding out his men, on this basis, he will finally wind up by having a shopful of what may be termed "professional loafers," to whom he is paying high wages because they deceive him.

A correct system of cost accounting will present to the manager a daily, a weekly, or monthly statement of the work done by each employee, in such form as to enable him to make comparisons and deduce the facts relating to any particular individual. It is surely evident that such a method of judging men is infinitely more just, safe, and effective than the one previously described.

Having examined the two methods of considering a workman's value on the basis of the use he makes of the time for which he receives pay, let us now consider how best to trace and account for the equipment, small tools, accessories, and material that are sure to be in his care during his term of service. It is important that the manager account for every dollar invested, either in plant or material. This cannot be accomplished by a system of journeys of observation through the plant, any more than he can account for the workman's time by such a system. He must have a system of standards in his tool room and shop, and must maintain this system of standards by locating, at all times, any violation thereof. By this I mean, that he must have a predetermined stock of small tools in his tool room and these small tools ground to correct angles and shapes. When one of these tools is injured, either as to angle or shape, or perhaps broken, this system should tell him, beyond a question of doubt, who is at fault, and the cause for such damage. Without a thorough system of accounting, the system of standards will soon be destroyed.

This has been called "The age of intensified production," and this is surely true, for, no matter where you go, you will find manufacturers making heroic efforts to keep up with the tremendous

pace set by some more energetic and systematic competitor. This being true, it is evident that he must, of necessity, keep a very close track of all the small details of his business.

A few years ago a machinist would be fined for wearing out a tool. To-day the wise manager pays the man a premium for wearing it out—with the proviso, of course, that he accomplishes the work that the tool is capable of performing. Take, for instance, a lot of small sprocket wheels which have to be drilled. By careful analysis it is found that it will pay to run the drills so fast that each drill press will completely use up one drill in a day of nine hours, in spite of the fact that twice as many holes could have been drilled by each drill used at two-thirds this speed. This could not have been determined except by a correct system of cost accounting.

A few years ago the machine-shop manager paid seven cents per pound for his tool steel, and nursed both machine and tool. To-day he pays seventy cents per pound for tool steel, and drives both to the limit of their endurance. It would not be possible to determine such a great problem of shop economics by any loose system of accounting. He must know exactly what all this extra expenditure of money and energy is bringing him in return, in order to ascertain whether he is being repaid for his trouble and expense.

Going back again to tools: In the days of seven-cent tool steel, an ordinary round nose roughing tool cost forty-five cents up to a dollar and twenty-five cents, according to the section and length of the tool. To-day, when paying seventy cents for tool steel, the same style of tool costs, with its special treatment, from three dollars and seventy-five cents up to as much as, in some cases, ten dollars. It is apparent that the manager should know just what each of these tools is doing, and what becomes of them. This can only be accomplished by a proper check system in the tool room, and this check system must, in turn, be rigidly enforced. This check system should be of such a nature that it will fix the location of any tool, and the length of time it has been so located. What is true of the cutting tool is also true of all the other small tools, and likewise true of the equipment. The system must record the cost of material as well as the labor entering into the various items of expense.

In an establishment paying its employees by any of the various piece-work plans, it is to the cost department that the manager will

turn for information upon which to base his rates. In many establishments operating under a piece-work system, the cost-keeper is the man who fixes the rates. In all well-regulated plants he is the person who records all such transactions with the men, and sees to it that the workman receives his pay when the contract is completed. He not only records piece-work time and wages, but has direct supervision of all time-keeping and payment of wages.

Mr. Frederic W. Taylor, the pioneer and foremost inventor of advanced systems of shop management has, in his plan of functional foremanship, considered the cost-keeper of such importance that he has made him one of his functional foremen. He has given him direct charge of the men, and made them directly responsible for all matters pertaining to time and cost. This leads to another line of thought. If a manufacturer decides to install a system of cost and factory accounting, and places a man in charge of the same, the cost-keeper will proceed to collect data and information, but he will be unable to make this data of any real value unless he is given the proper amount of authority to apply the facts so ascertained. No one can ever accomplish any real good if he is compelled to apologize to some one, at every turn, for having exceeded his authority. He must, of course, have respect for vested authority wherever he finds it, but he must also have sufficient authority vested in him to enable him to accomplish the desired end. If this is not the case, he would be very much in the position of a jockey who might be placed astride of a race horse and told to win the race, but on no account to use whip or spur. His only means would be gentle persuasion, and when the pace became hot he would fall behind, finish in the rear, or, perhaps be distanced altogether.

To sum up all this, the cost-accounting department must record all information relative to time and material, so as to be a means toward the end of reducing costs and expenses, and then, after such records are made, to assist in their application toward that end. The qualifications of the head of such a department have been well stated in the following quotation from Mr. Gunn's article on "Cost-Keeping: a Subject of Fundamental Importance":

"Cost-finding is not merely the work of an accountant, no matter how competent he may be. It is the work of an engineer, supplemented by the best accounting knowledge he can command. The engineer, in turn, must be possessed of an executive faculty

to such a high degree that he shall be able to create and administer an organization which not only finds but shall continue to find costs. Having found costs, this executive must be possessed of a sufficiently broad knowledge of that portion of the industrial world to which he is related, to be able to use the information which he has, and to preserve such an organization as will insure facts for each succeeding month or year being presented in like manner with those first compiled, so that he may receive the full benefit of comparison. For costs have no value except in comparison, that action may be directed by experience."

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ADVERTISING

Advertising is a means of extending the field of one's business operations beyond their otherwise prescribed limits. Trade, like natural forces, travels along the lines of least resistance. It is almost an axiom that the line of least resistance is mutual confidence and respect.

For an article to be successfully advertised, the first question is: Do people need it? Does it respond to some already expressed or dormant demand? Above all, the fundamental requirement—the basis of all confidence—is that the advertised article or service should be good. A high degree of success, a permanent hold upon the public interest, is not possible without this. The flaw in the article becomes recognized as quickly as a weed that springs from apparently good seed. Good advertising—no more than good soil—can continue to hide the real character of a poor article.

Starting with a good article that inspires confidence, the next question for the advertiser to settle is: Is this an opportune time and what is the right place to advertise? For the advertiser, this involves the question of mediums and localities, and the answer is dependent upon experience and knowledge. It is not enough to place advertisements and await results. They must be carefully and systematically followed up,—each inquiry turned into results. Public confidence can only be won by honest, truthful and effective statements. Whatever the amount of money spent, its power is greatly increased by advertising of this reasonable and substantial character. This is instanced by a remark of a late president of the Royal Baking Powder Company: "It took \$15,000,000 to put this business where it is, and it will take *at least* \$15,000,000 to tear it down." Notice the emphasis upon *at least*. It shows the strength which reputation gives and the incalculable value of securing a hold on public confidence.

Some of the specific advantages of advertising to the business man are: the *opportunity to enlarge his field of operations*, the *ability to maintain prices*, the *obtaining of an assured custom*, and the *simplification of business*.

X Advertising is to the field of distribution what the railroad is to transportation. With the ox and wagon, the horse and the sailboat, goods could only be carried a short distance, but the rail-

road or the steamboat makes the fruit of California a familiar article of purchase in New York, or the American locomotive a valuable adjunct to trans-Siberian service. The public crier arouses the interest of but few people, the salesman is limited in the space he can cover, but printed words in circulars, magazines and newspapers can be scattered broadcast over the country, telling the resident of a ranch in Arizona or a sheep farm in Australia of articles manufactured in London or New York. The large department stores attract the casual passer-by by their handsomely trimmed windows, but their extensive business is due to the use of all other legitimate means of advertising. Over a hundred years ago a physician made a prescription for a soap to be used in washing wounds. To-day, as the result of advertising, Pears' soap is better known than England herself. Intelligent sales agents in Japan, China and the United States make every effort to familiarize the people with its value; and the advertising of the soap has made it a world-power in the soap-business.

The possible boundaries for the extension of business by advertising is the world. The stimulus to inventors must be increased by the knowledge that their labor-saving devices and comforts cannot only be made to benefit a large portion of humanity, but that their own rewards can be immediate and great.

X Advertising helps to secure the highest prices. Every man who invents something or manufactures an article out of good materials should have the reward of his service. Moreover, the public like to know their money is going for the real thing. There is a class of people who secure business on price alone. We call them "pirates," or rather "parasites," who live on the product of other people's brains—the demand created by others. They make no contribution to the welfare of society. Their tendency is to degrade rather than to elevate, to destroy rather than to create. For example, Scott's Emulsion, which is recognized by physicians as an excellent article, and which, after a large expenditure of money, has secured recognition, is now widely imitated. These imitations are offered to the druggist as being "as good as Scott's," and allowing a wider margin of profit. The only way in which the original makers of the cod liver oil have prevented the substitution of an inferior article selling at a lower price, is by advertising and creating such a demand for the original article that the druggist must recognize it. Extensive advertising

results in standardizing an article. People become familiar with its special features and they are willing to pay for them.

X Another advantage of advertising is assured business. By creating a large demand, a manufacturer can have the satisfaction of feeling that there is no danger of his mills standing idle. More than that, when one factory becomes crowded with orders and is working day and night, he feels justified in extending his business, and building a new factory, but he still keeps on advertising, knowing that, in this way, can he keep up a steady and constant demand, and assure himself of sufficient business. I know of one concern which six or seven years ago was hardly known; but now, thanks to advertising, it is a leading concern doing a business of probably \$6,000,000 a year. I also know of an automobile company that is spending \$50,000 this season in advertising, although it has every machine sold that it can turn out before the first of August. It is advertising so that it can extend its plant; for next year will probably be the great year in the business; and it wishes its automobiles to be recognized as standard goods.

X Finally advertising simplifies business. The most primitive way of doing business is the most complicated. A man invents a broom with a patent spring that enables it to take hold of the carpet with less strain upon the person who sweeps. He makes this broom with his own hands, takes it about and shows it to housekeepers, obtains and fills orders, collects the money and keeps his own books when credit is allowed. In other words, he does everything himself. Now suppose his business grows, he has more than he can attend to and he employs others to do these various things. Each by limiting himself to one thing, does it better and cheaper than the broom-maker himself. By advertising he creates a demand for his broom, and he is enabled to systematize his buying, selling and office work, so that every department is reduced to the simplest form. His own work consists in merely criticizing, inspiring and improving the work of others. A large business is enabled to specialize, and to purchase and use all the best business devices.

Another method of simplifying business is to concentrate upon one or a few articles. I recently visited a factory in which some twenty kinds of underwear were manufactured. This manufacturer's latest article was his best seller, running far ahead of other goods. I suggested that he could put his whole factory upon this one kind.

Thirty thousand or forty thousand dollars' worth of advertising each year would in a few years give him such a business that he would have no room for other goods. The American people want just this article for which he has the patent. He will thus simplify his business, make more money and make several millions of people more comfortable.

The very features of advertising which make it of value to the business man, also benefit the community. In the first place, advertising educates people in a knowledge of standards of quality and cost. They become more appreciative of a good thing, especially of such goods as never deteriorate in quality. They learn to vary their purchases, to try new articles and to look for the best. They can, moreover, become independent of the monopoly of their local dealer, not only as to what they should buy, but also in the prices paid for things. This is of special interest in the country districts, where dwellers by reading magazines, newspapers and catalogues can obtain city articles and a wide choice of goods. Take for example the piano player, one of the greatest musical helps that has ever come to the world. It brings to the remotest home the world's great musical compositions and gives to those who are deprived of the opportunity of hearing concerts and players an opportunity to hear good music well played. Where people have the necessary musical appreciation, these piano players are a tremendous addition to the breadth and scope of every-day living. Advertising benefits society by bringing the extremes of the country together, making all more cosmopolitan, and permitting all to enjoy the same luxuries and comforts.

I have already suggested that an advertiser must maintain the quality of his goods, or his money will soon be thrown away and his success will be only short lived. In this way advertisers, by stamping their own makes, have made it possible for people to discriminate between the poor and excellent.

Granting that advertising is a good thing, what is the best way for the business man to advertise? The specializing of advertising as a business is evinced by the growth of large advertising companies and the success of especially gifted men. The necessity of specializing is furthermore made evident by the tendency to have a separate department, with a trained advertiser at its head. In the ordinary business there are exceptional cases in which the owner of

the business is especially gifted with the power of successful advertising, but, as a rule, the advertising is either neglected or inadequately managed. The finding of the advertisable feature in a man's business, or if it does not exist, finding it outside and putting it there, is an art. It is here that the value of the agency exists. Trained advertisers are men who can advertise any business, after a study of its peculiarities. They are familiar with methods and can adjust them to meet specific needs. Moreover, the agency possesses the technical knowledge of mediums, literature, printing, illustration, etc.

The first business of the advertising agency is to give advice. It is necessary to ascertain whether the article or articles are good subjects for advertising, whether the business is so organized that satisfactory results can be obtained, and to determine the amount of money to be expended. Mediums must be decided upon according to the character of the article. The advertising agent visits the plant frequently, obtaining full information from the advertiser and his subordinates; he prepares copy, designs, plates and electrotypes, and sends the different orders to the mediums at the right prices with stipulations as to position, etc. It is his duty to watch closely to see whether the advertisement is properly placed and correctly set. The bill is rendered to him, he checks it, and renders the advertiser a bill for the entire service. This simplifies the work of the advertiser, relieving him from all details. The agency necessarily has all the technical knowledge, involving the value of mediums, their prices, the manner of getting position and copy.

The secret of advertising success, then, is: first, have an article of high order that people really want; then sell it in an agreeable, tactful and honest way; advertise it in the same way.

Whatever a manufacturer can do better than anyone else, and has time to do, let him do it himself, or let it be done immediately under his supervision. Whatever parts of this process he cannot do himself, let him get it done by the person or concern that can do it honestly, capably, and thoroughly.

It is as sure as anything in this world that the man who is manufacturing, selling, and advertising along these lines, and with thoroughness besides, will win for himself and his article a large measure of success, bounded only by the possibilities of time and the commercial area of the world.

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THE DISTRIBUTION OF STOCKHOLDINGS IN AMERICAN RAILWAYS¹

In a study of the distribution of stockholdings in American railways we touch upon a question which, as associated with the fundamental institution of private property, has a most important bearing upon our social, economic and political life. The ownership of property tends, above all, to create a sentiment favoring conservatism. The greater the number of individuals participating in the ownership of property, the greater will be the number interested in promoting the safety and conservatism of property, and the advancement of industry. The effect of the diffused ownership of stockholdings, for example, upon our economic life may be readily observed. Being owners in a great enterprise, the large number of smaller holders are thus prompted by self-interest to view economic questions from the standpoint of an employer. In the industrial struggles between labor and capital, a widely diffused ownership of stock may be of the greatest importance in molding public sentiment with reference to the demands of the contending parties. The holding of a single or a few shares in a large corporation may not only cause the holder to feel a greater interest in the welfare of his particular concern, but may cause him, in a general way, to observe and feel as a member of the employing class. Moreover, a large corporation by widely distributing the ownership of its stocks and bonds, especially if it be among an influential class, will thereby safeguard its interests and privileges through an increased political constituency. Railways, for example, whose stocks and bonds are held by thousands of holders may be expected to exert a powerful influence in the legislatures of their respective states.

These and other considerations point to the conclusion that the economic and social effects, resulting either from a wide diffusion or a high degree of concentration in the ownership of stockholdings, are both numerous and important. Yet, significant as a study of the

¹ The present study is confined to an examination of the distribution of capital stock only, and takes no account of the funded debt. Moreover, the study is based primarily upon the data furnished by the latest available railroad commission reports, and does not consider the readjustments in the capital stock, or changes in the number of stockholders, which have occurred since the issuing of these reports.

distribution of stockholdings in American railways may be in this respect, we find ourselves confronted with all the difficulties which beset the question of the distribution of wealth in general. As Professor Mayo-Smith has remarked: "Almost all statistical analyses of the actual distribution of wealth break down on account of the imperfections of the statistics."² And it is especially in the study of the distribution of railway stock, probably more so than in the case of wealth in general, that we find the materials at our disposal not only very incomplete, but also extremely limited. In fact, reliance had to be placed almost wholly upon individual statements concerning certain particular roads, and upon the statements of the amount of capital stock issued and outstanding, and the total number of stockholders for the various roads at the date of the last election of the directors, as collected under the authority of the railway commissioners of the various states. This latter source, however, is by no means complete. In many states, especially the Southern, with the exception of Alabama, Louisiana, and Virginia, the railway commission reports furnish no information whatever on the subject; and in no case do the reports give the exact distribution of the capital stock among the holders. This absence of conclusive material determines largely the mode of treatment to be followed, and fixes in a general way the limits of the conclusions. The attempt is made, therefore, to present, briefly, the distribution of stockholdings in those few railways where the evidence is direct and conclusive; and to present tables showing respectively those important railways whose stock is owned by a comparatively large number of stockholders, those where concentration is apparent; and, lastly, those important railways whose stock is concentrated in the hands of a few holders. Despite the many defects in the materials, it is believed that a compilation of the data presented in the railway commission reports, if supplemented by such considerations as are necessarily involved in a statistical treatment of this kind, cannot fail to add something to our knowledge of the subject under discussion.

Passing now to an examination of specific railways, we find that the Illinois Central stands out most prominently in the effort to diffuse the ownership of its stock among small holders, especially its employees. According to Mr. Cressey, "No other railroad has adopted a plan to this purpose approaching in extent or liberality

² *Statistics and Economics*, p. 437.

that devised by President Stuyvesant Fish. Other roads, however, have made commendable efforts in this direction, and among these may be mentioned the Chicago Great Western System.³ Of the 6,526 stockholders of the Illinois Central in 1900, 705 were officers and employees of the company, other than directors, and held stock to the amount of 2,554 shares. Three thousand eight hundred and sixty-eight of these stockholders, owning 346,207 shares, were residents of the United States; 2,543, owning 198,616 shares, were residents of Great Britain, and 115, owning 55,125 shares, were residents elsewhere. Excluding one large block of 40,000 shares held by a Dutch syndicate for thirty years, and itself divided among hundreds of holders, the average number of shares per holder is eighty-five and one-half. According to the books of the company there are "5 holdings of 5,000 shares or over; 85 of 1,000 shares or over; 93 of 500 shares or over; 694 of less than 500, but more than 100; 455 of exactly 100 shares each, and 5,194 of less than 100 shares."⁴ Approximately thus 80 per cent of the stockholders own less than one hundred shares each, and the fact is emphasized that it is the 5,194 small stockholders who own by far the majority of the stock.

Equally favorable appears to be the distribution of stock in the Boston and Albany and the Boston and Maine railways. The capital stock of the Boston and Albany, aggregating \$25,000,000, is distributed among 8,434 stockholders. The largest of these stockholders owns but 3,000 shares, while at least 4,645 holders, or 54 per cent of the total number, hold less than ten shares each.⁵ As regards the Boston and Maine Railroad, the annual report for 1899-1900 places the number of shares of that company at 250,345, and the number of stockholders at 7,148. Of this number of stockholders 4,575, residing in Massachusetts, owned 124,030 shares; 1,515, residing in New Hampshire, owned 29,212 shares; 599, residing in Maine, owned 18,349 shares; 459, residing elsewhere, owned 60,678 shares, while 18,076 shares of common stock were owned by the company itself.⁶ From this report it also appears that approximately 7 per cent of the largest stockholders of the company owned 26 per cent of the stock.

³ "Railroad Employees as Shareholders." *Outlook*, 62: 122.

⁴ United States Industrial Commission. Vol. IV, p. 326.

⁵ United States Industrial Commission. Vol. XIX, p. 403.

⁶ Annual Report of the Boston & Maine Railroad. 1899-1900, p. 10.

Another illustration of the wide diffusion of stock ownership in some of our great railways is afforded in the Atchison, Topeka and Santa Fé Railway. This road, the most important of the South-western roads, and the greatest of the "independent systems," has its capital stock of \$233,468,000 distributed among 13,147 stockholders. The two facts according to Mr. Thomas F. Woodlock that distinguish this road from other large Western roads are: (1) "That alone of all transcontinental lines it extends from Chicago to San Francisco," and (2) "That there is no dominant stockholding interest or combination of interests in control of the property. . . . And it is the only large system in the West that nobody in particular owns or specially controls." According to Mr. Woodlock, "the ownership of the Atchison road became thoroughly scattered in the reorganization and afterwards." "I am credibly informed," he writes, "that Messrs. Baring and the interest known as the 'Berwind Pool' are at present the only examples of concentrated ownership in the company, and that all three combined are a relatively small percentage of the whole."[†]

Directing our attention next to an examination of the distribution of the capital stock of railways other than those just considered, reliance had to be placed upon the data furnished by the latest available State Railroad Commission reports, namely those of 1900 and 1901. In the following four tables an attempt has been made to group this data. Table I includes those important railways whose stock is owned by a large number of stockholders. Table II presents those important railways whose number of stockholders is not unusually small, but where concentration in stockholding is apparent. Table III comprises those important railways whose capital stock is owned by a comparatively small number of stockholders, while Table IV shows the distribution of stock in New England railways with a capital stock of \$1,000,000 or over.

TABLE I.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Atchison, Topeka & Santa Fé	\$233,486,000	13,147
Boston & Albany	25,000,000	8,434
Boston & Maine	26,516,970	7,229

[†] The London Economist 59, II, p. 1395.

TABLE I.—Continued.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Chicago Great Western.....	\$68,572,074	3,627
Chicago, Milwaukee & St. Paul	100,480,200	5,786
Chicago & Northwestern	66,227,320	4,260
Chicago, Rock Island & Pacific	59,988,260	2,934
Cleveland, Cincinnati, Chicago & St. Louis.....	38,418,307	2,197
Delaware & Hudson	35,000,000	3,958
Fitchburg	24,360,000	5,935
Illinois Central	66,000,000	6,526
Lehigh Valley	40,441,100	6,916
Long Island	12,000,000	646
Louisville & Nashville	55,000,000	1,982
Minneapolis & St. Louis	10,000,000	448
New York Central & Hudson River	115,000,000	10,320
New York, New Haven & Hartford	54,685,400	9,560
New York, Ontario & Western	58,118,982	2,056
Old Colony	16,617,625	5,331
Pennsylvania Railroad Company	204,374,850	29,000
Pere Marquette	28,000,000	2,098
Union Pacific	203,600,000	12,450

TABLE II.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Atlantic Coast Line	\$34,280,500	874
Buffalo, Rochester & Pittsburg	12,000,000	224
Burlington, Cedar Rapids & Northern	8,887,380	325
Chesapeake & Ohio	86,000,000	1,145
Chicago, Burlington & Quincy	110,800,000	616
Chicago, St. Paul, Minneapolis & Omaha	34,050,126	1,019
Duluth, South Shore & Atlantic	22,000,000	350
Great Northern	123,853,300	1,835
Kansas & Colorado Pacific	25,498,100	156
Kansas City, Pittsburg & Gulf	23,000,000	325
Lake Shore & Michigan Southern	50,000,000	708
Minneapolis, St. Paul & Sault Ste. Marie.....	21,000,000	148
Michigan Central	18,738,000	563
Missouri, Kansas & Texas	72,569,200	1,080
The Missouri Pacific	76,402,875	889
New York, Chicago & St. Louis	30,000,000	677
Norfolk & Western	89,000,000	1,876
Southern Pacific	197,832,148	968

TABLE II.—Continued.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
St. Louis & San Francisco.....	\$50,000,000	1,416
St. Louis Southwestern	36,000,000	778
Texas & Pacific	38,760,110	916
Western New York & Pennsylvania	20,000,000	176

TABLE III.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Arkansas & Choctaw Railway	\$15,230,000	6
Chicago, St. Louis & New Orleans	10,000,000	22
Cincinnati & Northern	6,800,000	6
Dubuque & Sioux City	10,999,600	31
Eastern Railway Company of Minnesota.....	16,000,000	6
Erie Railroad Company	176,000,000	17
Fremont, Elkhorn & Missouri Valley	36,940,000	8
Kansas City, Fort Scott & Memphis.....	28,510,000	17
Kansas City Southern	51,000,000	15
Northern Pacific	155,000,000	17
Morgan's Louisiana & Texas Railroad and Steam- ship Company	15,000,000	6
Southern Railway Company	180,000,000	13
St. Joseph & Grand Island	13,598,500	9
St. Louis, Iron Mountain & Southern	25,795,055	32
St. Paul, Minneapolis & Manitoba	20,000,000	69
The New England Railroad Company	25,000,000	51
Wilmar & Sioux Falls	7,000,000	6
Wisconsin Central	30,000,000	12
Yazoo & Mississippi Valley	6,168,400	14

New England Railroads

TABLE IV.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Boston & Lowell	\$6,529,400	2,142
Boston & Providence	4,000,000	1,668
Connecticut River Railroad	2,630,000	952
New Haven & Northampton	2,460,000	7
New London Northern	1,500,000	379

TABLE IV.—Continued.

NAME OF RAILWAY COMPANY.	Amount of Capital Stock.	Total number of Shareholders.
Providence & Worcester	\$3,500,000	902
Vermont & Massachusetts	3,193,000	1,312
Worcester, Nashua & Rochester	3,099,800	805
Boston & New York Air Line	3,907,968	610
Central New England	6,600,000	277
Hartford & Connecticut Western	2,712,800	641
Naugatuck Railroad Company	2,000,000	463
Norwich & Worcester	3,006,600	941
Atlantic & St. Lawrence	5,484,000	1,647
Concord & Montreal	7,197,600	2,214
Maine Central	4,975,300	824
Manchester & Lawrence	1,000,000	545
Northern Railroad Company	3,068,400	1,179
Bennington & Rutland	1,000,000	8
Newport & Richford	3,200,000	9
Rutland Railroad	6,719,700	about 600
St. Johnsbury & Lake Champlain	3,848,500	432
Vermont Valley	1,000,000	59
Bangor & Aroostook	2,178,307	24
Grand Trunk Railway	5,484,000	1,630
Portland & Rumford Falls	1,000,000	50
Washington County Railroad Company	1,999,000	27

A glance at the foregoing tables reveals a striking contrast between different railways as to the proportion between the amount of their stock and the number of their stockholders. From the evidence submitted for the twenty-two railways included in Table I, aggregating \$1,541,887,088 of capital stock, it appears that railway stock is to a large extent distributed among a great number of holders. Thus the number of stockholders for these twenty-two roads is 144,840, and for the New England railways with a capitalization of \$1,000,000 or over is in excess of 20,000. Upon glancing at Table II, however, we find the number of stockholders comparatively small, and in Table III exceedingly small considering the large capitalization of the roads.

Proceeding to a closer analysis of these tables, we find that the average stockholding for all the roads of Table I amounts to \$10,646 per stockholder. This comparatively low average, however, loses some of its significance when we remember that seven roads,—the

Atchison, Topeka and Santa Fé; the Union Pacific; Chicago, Milwaukee and St. Paul; Louisville and Nashville; New York, Ontario and Western; Chicago, Rock Island and Pacific, and the Chicago Great Western,—aggregating \$779,245,516 of capital stock, or over one-half of the total stock of these twenty-two roads, have an average stockholding of \$18,561 per holder.

In Table II the concentration becomes much more marked. Having a capital stock of \$1,180,871,739, the twenty-two railroads of this table have a total of but 17,064 stockholders, and an average stockholding of \$69,463 per holder. As in Table I, however, this average partially loses its significance, since eight roads,—the Chicago, Burlington and Quincy; the Chesapeake and Ohio; the Great Northern; Kansas and Colorado Pacific; Minneapolis, St. Paul and Sault Ste Marie; Missouri Pacific; Southern Pacific, and Western New York and Pennsylvania,—with a total capital stock of \$643,387,023 or over one-half of the total capital stock of these twenty-two roads, have an average stockholding of \$108,442. Moreover, three roads,—the Southern Pacific; Chicago, Burlington and Quincy, and Kansas and Colorado Pacific,—with capital stock aggregating nearly 30 per cent of the total stock represented in this table, have average stockholdings of \$185,777, \$179,871, and \$163,577 respectively.

If, for the purpose of comparison, we look now at Table III, we note a still greater contrast than exists between the railways of Tables I and II. The nineteen important roads represented here have their aggregate stock of \$829,041,555 distributed among but 357 stockholders, having thus an average holding of \$2,322,245 per holder. Three of the roads, however,—the Erie Railway, the Northern Pacific, and the Southern Railway,—with an aggregate capital stock of \$511,000,000, or five-eighths of the total capital stock represented by this table, have an average stockholding of \$10,872,340 per holder.

It will doubtless be urged with reference to these averages that, owing to the rapid changes in stock ownership, they have value only for the particular year for which they are compiled. In fact there is scarcely any ownership of property more transitory than the ownership of railway stock. In this connection the statistics of the New York Stock Exchange for 1901 may be studied to advantage. In that year the total number of shares sold at the Exchange num-

bered 249,193,674, representing a par value of \$24,254,887.825; and by far the great majority of these stocks constituted railway stocks. Indeed, within the year 1901 the total number of listed shares for some of the leading railways was sold from ten to twenty times over. Thus the Milwaukee-St. Paul stock was sold twenty times over; the Union Pacific stock twenty-one and one-quarter times; Rock Island stock thirteen and one-half times; Wabash preferred stock twelve and one-half times; Atchison stock eleven and seven-eighths times, and Erie stock ten times.*

Such a volume of stock transactions would seem to indicate that the above statistics can have but a temporary value. As a matter of fact, however, when we compile statistics for a considerable number of railways for different periods, we find that the proportion between the amount of stock and the number of holders shows an increase in the average stockholding sufficiently large to indicate that the above tables rather underrate than overestimate the average stockholding in railways at the present time. A few statistics will corroborate this statement. Thus as regards eleven railways of Table I, for which information could be found, the capital stock increased from approximately \$650,834,038 in 1890 to \$942,946,162 in 1900 or 45 per cent; while during the same period the number of stockholders increased from 54,928 to 75,528 or 37 per cent. In other words, the average stockholding for these eleven roads increased from \$11,848 to \$12,486, or over 8 per cent. Again, in seventeen of the twenty-two railways of Table I, for which information was available, the capital stock increased since 1895 from approximately \$875,296,724 to \$1,143,512,238 or over 32 per cent; the number of stockholders increased from 92,029 to 100,532 or over 9 per cent, and the average stockholding increased from \$9,318 to \$11,435 or over 22 per cent. Similarly in Table II, we find that eleven railways have increased their capital stock since 1890 from \$350,106,859 to \$564,251,559 or over 61 per cent. During the same period the number of stockholders decreased from 20,109 to 7,980 or over two and a half times, thus increasing the average stockholding from \$17,410 to \$70,708 or over four times. More significant by far has been the increase of the average stockholding of the railways of Table III. Since 1890 eleven of these roads have increased their capital stock from approximately \$387,419,427 to \$523,048,100 or nearly 35 per cent.

* S. S. Pratt, "The Work of Wall Street," p. 45.

Within the same period the number of stockholders has decreased from 6,215 to 239, while the average stockholding has increased over thirty-five times. Despite, therefore, the rapid changes in stock ownership, the railways of the foregoing three tables show, on the whole, a marked tendency towards an increased average stockholding. The above tables, if they err in any direction, may be regarded as underrating rather than overstating the average stockholding at the present time.

Thus far, then we have taken into account the average stockholding of leading railways whose capital stock aggregates \$3,551,800,382 or about 60 per cent of the total railway stock of the country. Directing our attention to the distribution of stock of the smaller roads, our only guide, again, consists in the State Railroad Commission reports. An examination of the latest of these reports indicates that the stock of the smaller roads in the West is held by comparatively few investors and that the stock, on the whole, becomes more and more widely diffused as we go Eastward, especially towards the New England States. Thus from the preceding tables it appears that the six principal New England railways, with stock aggregating \$172,000,000, show the exceedingly large number of 36,540 stockholders. Likewise Table IV, including those New England railways with stock of \$1,000,000 or over, shows an exceedingly large number of stockholders in view of the small capitalization of the roads. In short, the twenty-seven railways included in this table have their aggregate stock of \$93,294,375 distributed among 20,347 stockholders. When to the railways of Table IV are added the roads with stock of less than \$1,000,000, the railway commission reports of Connecticut, Massachusetts, Maine and New Hampshire show the total number of stockholders for the roads represented in these states, and for which calculation can be made, to be 28,923. The average stockholding in these roads for Connecticut is placed by the reports at approximately \$7,041. Maine follows next with an average holding of \$5,486, while Massachusetts and New Hampshire have the extremely low averages of \$3,146 and \$3,451 respectively. If we could carry our inquiry to all the railways represented in all the New England States, it is safe to assume from the above calculations that the total number of stockholders of New England railways would be considerably in excess of 70,000. If, however, we extend our inquiry to the smaller roads

outside of New England the average seems considerably larger. Thus the average amount of stock per holder in all the railways considered by the reports, and for which calculation could be made, is, approximately, \$156,638 in Minnesota, \$110,600 in Louisiana, and \$72,320 in Kansas. Of the remaining states for which calculations were possible, the greatest average stockholding (\$49,484) is shown in Arkansas. Alabama follows next with an average of approximately \$43,239, and then Michigan with an average of \$33,859. In New York the average stockholding for such roads, other than proprietary and lesser surface steam railway companies, is approximately \$18,582, and in Virginia \$15,849.

If the averages presented in the preceding paragraph are correct, the conclusion suggested is that, excluding the New England railways and the roads represented in Table I, the stock owned by the average holder is comparatively large. A closer investigation will reveal the fact, however, that the question is not fully determined by merely presenting the average stockholding for the roads of each of the four groups. It is manifest that while the above averages present the minimum concentration of stock among the so-called "stockholders," they do not take account of the fact that these stockholders do not in all cases necessarily represent individual holders, but may in some cases represent corporations. In the first place, one railway corporation, itself representing many stockholders, may be the holder of a portion of the stock of another railway company. Or considerable blocks of such securities may be held by trust companies, life insurance companies, investment companies, etc., which in turn represent the investments of a large number of persons, many of whom belong to the middle and poorer classes. How far this process of subdivision must be carried in order to fairly determine the extent to which the population of the country is now involved in railway ownership, it is difficult to judge. Suffice it to say, that large blocks of railway securities are held in this way, and that this indirect form of investment is rapidly increasing. Thus on July 1, 1901, the general stock investments of the trust companies of New York City alone aggregated over \$209,000,000. Even in the case of savings banks, whose investment powers have been very carefully safeguarded, a change of policy is manifesting itself. Since 1899, for example, the three states of New York, Massachusetts and Connecticut were obliged, owing to the rapid increase

of the deposits, to extend the power of these institutions to invest to a limited degree in railway securities. While no available statistics exist on this phase of our subject, we may nevertheless conclude that this subdivision of the stockholdings in railway securities, especially when we remember that trust companies, investment companies, and the like, representing the merging together of a large number of small and separately owned capitals, do actually hold large blocks of railway shares, points unmistakably to a very widely diffused ownership. Nothing more strikingly illustrates the extent to which this diffused ownership may exist in some of our leading railways, than the statement of Mr. J. J. Hill to the effect that "when the Chicago, Burlington and Quincy Railroad was taken into the Northern Securities Company some 2,000 of its 18,000 stockholders owned five shares each and 300 owned one share each."⁹ The Eastern trunk lines were reported to have had their stock distributed among 99,829 shareholders in the year 1896, and the Pennsylvania Railroad Company reported that 40 per cent of its shareholders were women.¹⁰

One other exception to the above averages is pertinent to our discussion. This exception, while it does not in the least disprove the wide diffusion of stock ownership indicated by the foregoing process of subdivision, does tend to show, on the contrary, a large degree of concentration of stock in individual hands. To rely merely upon the preceding averages, it is clear, would prove inadequate for our purpose, since they do not afford an exact criterion of the actual proportion of stock held by the different shareholders. The concentration of stock ownership in individual hands, as indicated by these averages, becomes all the greater when we remember, first, that the above tables fail to show the unequal distribution of the stock among the shareholders of any given road, which as a practical matter of fact we know exists; and, secondly, that they do not take cognizance of the very common fact that the well-to-do stockholders of one railway, though owning far more than their proportionate share, also own stock in a large number of other roads.

How unequal the stock of a particular railway may be distributed among its holders is well illustrated in the case of the Fitchburg and New England railways. With the exception of the Boston and Albany, the Boston and Maine, and the Old Colony railways,

⁹ Independent, Vol. LIV, p. 1030.

¹⁰ United States Industrial Commission, Vol. IV, p. 642.

the Fitchburg Railroad Company represents the lowest average stockholding of the roads of Table I. Yet 624 of its stockholders, or those residing in New Hampshire, own but \$871,300 of its \$24,360,000 of capital stock; while 1,119 of its 5,935 stockholders own but \$1,440,000. More significant, still, is the instance of the inequality of ownership afforded in the case of the New England Railroad Company. This company has its capital stock of \$25,000,000 distributed among fifty-one stockholders, and with but three exceptions shows the largest average stockholding of the nineteen roads included in Table III. Yet twenty-six, or one-half of these fifty-one stockholders, according to the Massachusetts Railway Commission report, owned but \$55,000 of the capital stock, or slightly more than the one-five-hundredth part of the total.

Having thus illustrated the unequal distribution of stock among the owners of a given road, which illustrations may be almost indefinitely multiplied, we may now inquire briefly into the second point, the ownership of stock by one individual in several or many roads. To what extent this multiple ownership exists is partly indicated by a comparison of the directorates of a number of the leading railways with a view of noticing to what degree the names of the directors of various railways duplicate one another. For the purpose of this comparison, the names of the directors of the ninety principal railways, as published in the State Railroad Commission reports, and including the directors of all the roads of Tables I, II, and III, were examined. After a tabular analysis had been made, and all duplications had been eliminated, it was found that the total number of positions in the directorates of these ninety roads was 819 and the total number of individual directors 393. Of this number of individual directors one was the director of fifteen roads, aggregating over \$929,000,000 of capital stock, and one the director of fourteen roads aggregating over \$565,000,000 of capital stock. Three were the directors of twelve roads each: one of these directors representing capital stock to the extent of \$765,000,000, and the remaining two over \$367,000,000 each. One was the director of eleven roads with a total capital stock of \$572,000,000; one the director of ten roads whose total stock exceeded \$656,000,000, and two the directors of eight roads whose stock reached \$541,000,000 in the one case, and \$565,000,000 in the other. Of the remaining directors, two were the directors of seven roads; eight the direc-

tors of six roads; fourteen the directors of five roads; thirteen the directors of four roads, and forty the directors of three roads. In brief, eighty-six of these 393 directors represented at least three of these important roads, and 192, or nearly one-half of the total number, were found to be directors of two of these roads or more.

But many, if not a majority of these directors, it should be remembered, are also directors of less important roads. The extent to which this is true becomes more apparent when we review the "Directory of Directors" of some of our important cities. Thus from the "Directory of Directors in the City of New York for 1902," we find the names of two stockholders, one of whom is the director of forty-five railways and the other of forty-two. Two stockholders are cited who are directors of thirty-seven and thirty-five roads respectively; two others who are directors of twenty-eight and twenty-two roads; two who are directors of twenty-one roads each, and two who are directors of twenty roads. In short, we find nine stockholders mentioned in this directory who are directors of twenty railways or more; fifteen who are directors of sixteen railways or more; thirty-four who are directors of from ten to fifteen roads, and forty-eight who are directors of seven roads or over. Similarly the "Directory of Directors in the City of Chicago for 1902" includes, as distinct from the above-mentioned directors, the names of three stockholders who are directors of twenty-five, eighteen and fifteen railways respectively, and the names of fifteen who are directors of from five to ten roads. In both directories almost innumerable stockholders are mentioned who are directors of from two to five roads. How much greater the extent of this multiple ownership is, becomes more apparent when we reflect that the above figures represent the directors of but two of our leading cities, and that many of these stockholders are also owners in other railways without being members of their directorates.

In the foregoing paragraphs we have reviewed, as briefly as the subject permits, some of the considerations which assist us in arriving at some conclusion with reference to our subject. Apart from any further details the general results may be summed up as follows:

In the first place, from the evidence submitted it appears that railway stock is to a large extent owned by a great number of holders scattered throughout the country, and representing every

stratum of society. The Illinois Central, we saw, stood out conspicuously in its attempt to extend the ownership of stock to its employees. The Boston and Albany and the Boston and Maine railroads likewise had their stock distributed almost entirely among small holders. The Pennsylvania Railroad has its capital stock of \$204,000,000 distributed among 29,000 individual stockholders,¹¹ a greater number, it is said, than exists in any other company in the world except the United States Steel Corporation. With reference to the New England railways, we noted that the stock was distributed among at least 70,000 stockholders, while the total number of shareholders for the roads of Table I exceeded 144,000. Recognizing that some of these stockholders may in turn represent corporations, it becomes apparent that in some of our great railways the number of small individual owners is exceedingly large. Indeed, it has been estimated by Mr. George B. Blanchard that the total number of holders of railway stock reaches 950,000, and that the total number of stockholders and bondholders combined approximates 1,250,000.¹²

Secondly, in accordance with the statistics presented, we have determined the average stockholding per holder of railways aggregating approximately \$3,822,214.000 or nearly 65 per cent of the total railway stock of the country. A survey of the smaller roads showed, that outside of the New England States, the average stockholding was comparatively large, ranging from a maximum of \$156,638 in Minnesota to a minimum of \$15,849 in Virginia. With reference to the more important railways, we noted that the average stockholding for twenty-two of these roads, representing \$1,541,887,088, was \$10,646. In twenty-two of these roads, aggregating \$1,180,871,739 of stock, the average stockholding was \$69,463; while in nineteen roads, representing a capital stock of \$829,041,555, the average stockholding reached \$2,322,245. By regrouping these railways, however, it was found that over one-half of the total capital stock of the first group is held in average holdings of \$18,561; that over 55 per cent of the total capital stock of the second group is held in average holdings of \$108,000, and that five-eighths of the total capital stock of the third group is held in average holdings of \$10,872,340.

These averages, it is true, are modified by the fact that as

¹¹ Fifty-sixth Annual Report of the Pennsylvania Railroad Co., p. 26.

¹² United States Industrial Commission, Vol. IV, p. 642.

several small corporations become financially interested in, or are merged into a larger railway corporation, the number of small stockholders may thereby be increased many times. But the effect of this increase upon a wider diffusion of railway stock, it is believed, is more than neutralized by the counter-tendency of well-to-do individual stockholders to acquire stock in a large number of such undertakings. Indeed, we have seen that this multiple ownership on the part of individual stockholders exists to an exceedingly large extent. If we recall, furthermore, that the average stockholding for the roads of the first three tables has shown a decided tendency to increase, and that great extremes of stockownership exist even in most of the roads of Table I, we may conclude with a rough degree of accuracy that the above tables present, on the whole, a far too conservative view of the actual concentration of railway stock in individual hands at the present time. Concentration certainly does manifest itself strongly in the roads included in Tables II and III. And, if the composition of the comparatively low averages of the railways of Table I could be ascertained, to see whether they are made up of great extremes or not, it seems probable, from the above considerations, that by far the majority of the large number of stockholders cited for these roads represent small investors, and that the majority of the stock, in many, if not in a majority of these roads, is held by a comparatively few large holders.

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GROWTH AND MANAGEMENT OF AMERICAN AGRICULTURE

We are passing through an era of rapid change in our manufacturing and commercial industries and are witnessing the building up of huge industrial combinations. Our whole industrial world is rapidly assuming changed form and proportion. As agriculture is our basic industry, careful note should be made of the changes that are taking place in this great field of human industry.

We are still an agricultural nation. The total value of farm property in the United States, according to the twelfth census,¹ is \$20,514,001,838; an increase of 28.4 per cent over the total value reported in 1890. There are 5,739,657 farms in this country, having an average size of 146.6 acres each.

What are the tendencies disclosed by the census of 1900, in the different sections of our country with regard to farm products, methods employed, use of fertilizer, size of farms, ownership or tenancy? What is the progress of the negro farmer? We shall, in the following pages, attempt to organize and systematize the facts as given us by the last census, and to draw whatever conclusions this study may seem to warrant.

For purposes of comparison the United States has been divided into eight groups. The states composing these groups show similar tendencies; and, to some extent, each group has its own marked features and peculiarities. The classification chosen is not the same as that used by the Census Bureau, but is the one which seems best adapted to our present purpose. These groups are as follows: Group I, New England States: Maine, New Hampshire, Vermont, Rhode Island, Massachusetts and Connecticut. Group II, North Atlantic States, not including New England: New York, Pennsylvania, New Jersey, Delaware and Maryland. Group III, North Central States: Ohio, Michigan, Indiana, Illinois and Wisconsin. Group IV, Mississippi Valley States: North and South Dakota, Iowa, Minnesota, Kansas, Nebraska, Missouri and Oklahoma. Group V, Southern States, not including the Cotton Belt: North Carolina, Virginia, West Virginia, Kentucky, Tennessee and Arkansas. Group VI, the Cotton Belt: South Carolina, Georgia, Florida, Alabama, Mississippi and Louisiana. Group VII, Rocky Mountain States and Texas: Montana, Utah, Wyoming, Colorado, Nevada, Arizona, New Mexico and Texas. Group VIII, Pacific Coast: California, Oregon, Washington and Idaho.

Characteristic features of Each Group.—Groups I and VII represent the two extremes of agriculture in the United States,—dairying, market gardening and raising of small fruits on the one hand, and grazing on the other.

The most striking feature of the New England group is the marked

¹ The statistics given herein are taken from the Bulletin of the Twelfth Census.

decrease in the acreage of improved farm land during the last twenty years, and particularly during the last ten years. We find a gradual decrease in the total amount of the cereals raised during the last fifty years. For example, Massachusetts in 1859 raised 119,783 bushels of wheat; in 1899 only 1,750 bushels were raised. In 1849, 2,345,490 bushels of corn were raised in that state; in 1899, 1,539,980 bushels. A corresponding increase in dairy farming, market gardening and horticulture is found. In 1900, the principal source of income of 45.8 per cent of the total farm acreage in Massachusetts, was dairy farming; in Maine, 28.4 per cent. The raising of hay, forage, and the cereals is chiefly incidental to the dairy farming and live stock industries. The amount of milk produced in these states shows a great increase; but the amount of butter and cheese produced on the farms has, in general, decreased. There has been a transfer of these industries to the factories and creameries. The growth of the cities has greatly increased the demand for milk and cream.

We find that Western competition has gradually forced the farmers of this section to abandon the raising of cereals and of live stock for slaughter; and has caused them to devote their energies to the production of such products as milk, small fruits, vegetables and poultry for the consumption of the town and city population of New England. Census Bulletin, No. 104, gives an instructive comparison regarding the income derived from animal products in Arizona and Connecticut. In Connecticut, in 1899, of the total value of animal products, 60.9 per cent was dairy produce; 17.3 per cent animals sold and slaughtered; 21.5 per cent poultry and eggs.

In Arizona, the percentages were respectively 12 per cent, 70.9 per cent and 6.1 per cent.

From 1870 to 1890, there was a steady decrease in the value of land, improvements and buildings. From 1890 to 1900, however, a slight increase was found. Maine is an exception to the last statement, and it is worthy of notice that the northern portion of this state is still largely devoted to general agriculture.

Group II seems to be progressing toward dairy farming and market gardening, but it is not as far advanced as the New England States. New Jersey, owing to its proximity to New York City, has developed market gardening to a considerable degree. Vegetables are the principal source of income of 14 per cent of the farm acreage of this state. Maryland devotes a considerable portion of her farm land to market gardening. The value of farm land, improvements and buildings in Pennsylvania, New York and Delaware has declined each decade since 1870; while that of Maryland has increased since 1880, and that of New Jersey since 1890. This certainly seems to point toward dairying and market gardening as the future industries for the farmers of these five states. There has, however, been an increase in the acreage devoted to corn and wheat since 1880. We find a fairly constant decrease since 1850 in the number of sheep, and an increase in the number of dairy cows and horses. These states show a slight decrease in the percentage of improved land. The greatest decrease, 5.7 per cent, is found in New York.

Live stock, hay and grain form the principal source of income of a large percentage of farm acreage of Group III. In Wisconsin, dairy farming is an important industry. Michigan contributes 36.5 per cent of the total acreage devoted to the raising of sugar beets. The value of farm land, improvements and buildings has increased rapidly, during the last decade, in Illinois and Wisconsin, slowly in Indiana and Michigan, and has slightly decreased in Ohio.

The acreage devoted to corn shows a considerable increase in each, ranging from 20 per cent in Ohio to 50.9 per cent in Michigan. Illinois devoted in 1899, 10,266,335 acres to the cultivation of corn, from which 398,149,140 bushels were obtained. This is an increase of 108,000,000 bushels over the crop of 1889, and 73,000,000 bushels more than obtained in 1879. The number of bushels of wheat produced in each state of this section has decreased steadily since 1879, with the exception of Ohio, in which state an increase is shown since 1889.

The number of dairy cows reported is less than in 1889 in Ohio, Indiana and Illinois. Wisconsin and Michigan show an increase. The increase in the production of milk varies from 24.5 per cent in Illinois to 55.5 per cent in Wisconsin. The percentage of improved land is about the same as in 1890. Wisconsin only shows a decrease.

This group of states shows no very decided changes during the past decade. The total value of farm property has increased rapidly during this period, except in Ohio, where the increase is very slight. It is not likely that these states are to be driven from the extensive production of the cereals.

Group IV is developing very rapidly, the value of farms and farm products is increasing at a rapid pace. During the last decade, the value of farm land, improvements and building has increased 97 per cent in Minnesota, 163.9 per cent in North Dakota, 104.8 per cent in South Dakota, 75 per cent in Iowa, 43.6 per cent in Nebraska, 15 per cent in Kansas, 34.9 per cent in Missouri, and about fourteen times in Oklahoma. During the same period, the gain in the United States was 25.6 per cent.

The amount of corn and wheat produced is increasing in every state. Minnesota and North Dakota show a large increase in the amount of wheat. In 1889, Minnesota produced 52,300,247 bushels of wheat, and North Dakota 26,403,365 bushels; in 1899, 95,278,660 and 59,888,817 respectively. Iowa raised 383,453,190 bushels of corn in 1899, an increase of 70,000,000 bushels over that raised in 1889.

The live stock industry has experienced a steady growth during the past forty years. In Iowa and Missouri the increase during the last ten years is very slight, and we shall not expect any great increase in the near future in these two states.

All the states in Group V show a steady increase in the total value of farm property, and land, improvements and buildings; but the percentage is not as great as that of the entire United States. Live stock, hay and grain are very important products in these states. Cotton is an important crop in North Carolina and Arkansas; tobacco in Virginia and Kentucky. The

number of horses and mules reported show a marked increase since 1870. This section of the country is devoted to general farming. Conditions seem to be gradually, but surely, improving.

Florida is grouped with the cotton producing states, although it is not as distinctively a cotton growing state as are the other five states. In Alabama 54 per cent of the farm acreage of the state produces cotton as its principal crop; in Georgia, 62.5 per cent; in Louisiana, 51.7 per cent; in Mississippi, 58.8 per cent; in South Carolina, 65.4 per cent, and in Florida, 19.2 per cent.

With the exception of Florida, which shows a decrease since 1890, these states show a steady and rapid increase in the total value of farm property, and in the value of land, improvements and buildings. This period extends from 1870 to the present time. For example, in Louisiana, during the period of 1890-1900, the total value of farm property increased \$88,089,901, or 79.8 per cent. The increase in the United States during that period was 28.4 per cent.

In Group VII we find the live stock industry predominant. This is the great grazing region. Live stock is the principal source of income for 80.6 per cent of the total acreage of Montana; 60.1 per cent of Utah; 90.1 per cent of Wyoming; 64.4 per cent of Colorado; 81.3 per cent of Nevada; 83 per cent of Arizona; 84.9 per cent of New Mexico, and 71.7 per cent of Texas.

The number of "other neat animals" reported in 1900 shows an increase over 1890 in each state of this group except Wyoming. The number of sheep raised has also increased in each state except Texas, which shows a decrease from 3,454,858, in 1890, to 1,439,940, in 1900. Wyoming reports 3,327,185 sheep in 1900, an increase of about four times over that of 1890; Colorado, 1,352,823, or double that of 1890; New Mexico, 3,333,743, about two and a half times the number reported in 1890; Utah, 2,553,134, double that of 1890; Montana, 4,215,214, also double that reported in 1890. These five states and Texas report 16,222,039 sheep in 1900, or about 41 per cent of the total number reported in the United States. As the total number of sheep reported in the United States only shows an increase of 11.1 per cent in the period 1890-1900, we see what an enormous transfer of the sheep-raising industry has taken place. Nearly all of the Eastern States show a marked decline in this industry. Texas reports 8,567,173 "other neat animals," or about one-sixth of the total number reported in the United States. Colorado reports 1,333,202.

The percentage of improved land in this section is, of course, small, ranging from 25.1 per cent in Utah, to 6.4 per cent in New Mexico. The acreage of unimproved land has increased enormously during the last ten years; and, while the amount of improved land has increased, the percentage shows a large decrease.

In Group VIII, the value of all kinds of farm property has increased very rapidly during the last ten years, except in the State of California. The character of the products of this group is similar to that of Group IV. Washington and Idaho show large increases in the amount of wheat produced. Washington reported 21,187,527 bushels of wheat in 1899; 6,345,426, in 1889. California reports 37.4 per cent of the entire acreage of sugar

beets. With regard to the number of sheep, the same tendency is observed as in Group VII; the northern states, Washington and Idaho, show a large increase, while California reports a considerable decrease.

The Number and Size of Farms.—One hundred, or even fifty years ago, the farm was almost a self-contained unit. It consumed little except what it produced. The farmer made his own clothes, shoes, cheese, butter and candles; he was his own carpenter, blacksmith and wheelwright. These industries have been appropriated, with the exception in some cases of butter making, by the factories. The farmer is relieved from almost all kinds of transforming work. The effect of all this is to make him more dependent. He must buy more and sell more. He must co-operate with many other workers of different trades and occupations. Farming is now a strictly competitive business, in a market which is nearly world-wide. How is this change to effect the size and management of our farms? Is the tendency toward combination and consolidation, as in manufacturing and commercial industries? Are we to have a few owners, and a great class of tenants or of hired farm laborers; or a large number of small owners with few hired helpers?

While the census returns will not give us any definite answer to these questions, a study of the different sections of the United States may throw some light on the problem. Farming is subject to the law of diminishing returns. The limit to the amount of capital which may be profitably utilized on a given space of ground is soon reached. This limit is a variable depending upon many different factors; for example, the quality of the land, the presence or absence of new land, and the methods of transportation. Farming does not, in its present state, admit of an extreme division of labor. The exact time of beginning and quitting work cannot be regulated as in manufacturing. The quantity of work to be done varies greatly with the seasons. This is not true of dairying; but the inability to obtain help at the proper time has, in some instances, prevented extreme specialization of crops. This furnishes one of the difficult problems of our great wheat-growing sections. Farming, to a high degree, requires that personal attention and care which is ordinarily not given by the wage-earner; but is only given by those who receive a share in the profits of the farm. All these conditions show farming to be a peculiar industry; tendencies in agriculture and tendencies in manufacturing are not likely to follow parallel lines of development.

The number of farms in the United States has increased steadily since 1850. The total acreage has also increased throughout the same period. The average size of each farm decreased up to 1880; but has increased since that date.

In New England, the greatest number of farms was reported in 1880. Each state reached a maximum at this time. Since 1890, the number has increased in Vermont, Massachusetts, Connecticut and New Hampshire. Rhode Island reports two less in 1900 than 1890; and Maine shows a decrease of 2,714 or 4.4 per cent of those reported in 1890. The average size of the farms, located in this section in 1890, was 101.9 acres; in 1900, 104.1 acres. But Massachusetts and Rhode Island show a decrease; while in

Connecticut the average size remains as in 1890. It is in these three states that market gardening and the raising of small fruit has been the most highly developed.

In Group II, with the exception of New York, each state reports more farms and of a smaller average size than in any previous decade. In New York, the greatest number was reported in 1880. The number in 1900 is, however, greater than in 1890. The average size of farms in New York decreased steadily until 1890; but the last decade shows an increase. The average size of the farms in this section was 98.1 acres in 1900, and 100.9 in 1890.

Each state in Group III reports a steady increase in the number of farms, from 1850 to 1900. The percentage of improved land has changed but slightly during the last decade. The average size of farms was, in 1900, 102.7 acres; in 1890, 104.6 acres. Michigan and Wisconsin show an increase in the average size during the last decade.

All states in Group IV, except Missouri, show an increase in the average size of farms. The exception in this case is due probably to an increase in the number of negro farmers. In 1890, the average size was 187 acres; in 1900, 235.5 acres.

Groups V and VI show very decided tendencies. In each state of these two groups, the number of farms has increased remarkably during the last thirty years. The size of the farm has decreased with corresponding rapidity; and the percentage of improved land shows an increase. In Louisiana, the number of farms has increased from 69,294, in 1890, to 115,969 in 1900; while the average size has decreased from 137.7 acres to 95.4 acres. In Virginia, the number increased from 127,600 to 167,886 during the same period, and the average size decreased from 149.7 acres to 118.6 acres. Florida shows the least change in these two items. The average size of farms in Group V was 100.3 acres in 1900, and 128.8 in 1890; in Group VI, 97.5 acres in 1900, and 125.9 acres in 1890.

However, it is to be noted that in Group VI, for example, the average size of farms owned by white farmers is 139.1 acres; of those owned by negro farmers, 50 acres. This will be again considered under a following head.

The increase in the size of farms, in Group VII, is extremely large during the last decade. The average size in 1890 was 493.9 acres; in 1900 it was 653.9. In Wyoming, the increase was from 585.7 acres to 1,333 acres. This state now has the largest average acreage per farm. The five states in this section, which show a large increase in the number of sheep reported, also show a very high percentage of increase in the size of farms. This is also true of Texas.

In Group VIII, California and Oregon show a decrease in the average size of each farm; Washington and Idaho report an increase for the last decade.

The average size of a farm in the United States was, in 1850, 202.6 acres; in 1860, 199.2; in 1870, 153.2; in 1880, 133.7; in 1890, 136.5, and in 1900, 146.6. During the last decade the increase was 10.1 acres.

The increase or decrease for each group during the last ten years was:²

		Increase, Acres.	Decrease, Acres.
Group	I	2.2	...
Group	II	2.8
Group	III	1.9
Group	IV	47.5	...
Group	V	28.5
Group	VI	28.4
Group	VII	160.0	...
Group	VIII	3.3	...

When the groups are thus separated, it can be seen that the gain in the average farm acreage is caused, in a large measure, by one section; and that section is the one least developed—the section where sheep and stock raising rather than tilling the soil are the chief agricultural occupations. The increase found in Group IV is chiefly due to the five comparatively young states, North and South Dakota, Kansas, Nebraska and Oklahoma. Missouri shows a decrease, as mentioned above; while Iowa reports an increase of only 0.2 acre. The decrease shown in Groups V and VI is due to the increase in the number of negro farmers. Excluding those states in which the agricultural industry is limited almost exclusively to the raising of cattle for slaughter and sheep, there was a decrease, not an increase, in the average size of farms in the United States during the period 1890-1900. This decrease is, however, very slight, and is due to the change mentioned in the South. We can find no tendency toward "large-scale" farming, or, as it is sometimes called, "bonanza" farming.

Fertilizers.—In the Northern States, at least, the kind of agriculture that is pursued in a given state, can be judged by the amount of fertilizer used. In Connecticut, Rhode Island, Massachusetts, Delaware, New Jersey and Maryland, the states in which market gardening has reached its highest development, the average cost of fertilizer per farm varied, in 1900, from \$35 in Massachusetts to \$62 in New Jersey. The states which are approaching this kind of agriculture, namely, New Hampshire, Vermont, Maine, New York and Pennsylvania, report an annual cost varying from \$12.55 in New Hampshire to \$21 in Pennsylvania. In Group III, the cost varies from \$2 in Wisconsin to \$10 in Ohio. In the Southern States, there is a great variation; the extremes are Arkansas \$1 per farm, and South Carolina \$29 per farm. In the remaining states fertilizer is an extremely small item, except in California, where the average cost is \$13 per farm.

The value of live stock in present day farm economy must not be overlooked. In the Eastern States the raising of live stock is carried on chiefly because of the value of manure as a restorer of fertility to the land. The same is, of course, true of dairy farming in many instances. The Industrial Commission

² The average size of farm in each group is obtained by adding the averages of the several states together and dividing by the number of states in the group.

Report cites the case of Jefferson County, Wis. In 1870, owing to exclusive grain farming, the fertility of the soil was exhausted; and the average yield of wheat was eight bushels per acre. Dairying was then introduced; the yield has increased until at the present time the average is twenty-one bushels per acre. The value of such by-products as straw, cornstalks, bran, etc., is fully utilized where live stock is raised on the farm. Commercial fertilizer is used as an additional aid.

All vegetable growths obtain their nourishment from two sources, the soil and the air. The air is practically inexhaustible; but the soil needs renewal. The elements taken from it must be returned to it in the shape of manure or fertilizer. The future of agriculture depends upon keeping unimpaired the fertility of the land. The farmer who sells his wheat, oats, corn and hay, and who keeps no live stock is simply destroying the fertility of his farm. The detrimental effects are sure to be felt sooner or later.

This country, by exporting wheat instead of flour, is losing a valuable feed product.³ The bran furnishes a cheap feed, thus decreasing the expense of feeding stock, and it also furnishes a valuable manure. A double gain to our farmers is lost if we export the raw product, wheat. A large proportion of the coarser products of a farm, as hay, straw, cornstalks, cornmeal, bran, oats, etc., should be returned to that farm in the form of manure. For like reasons, a country should not continually export raw materials. The country which does this is unnecessarily impoverishing itself; it is impairing its patrimony.

"Experience seems to have demonstrated that stock growing and stock feeding are essential to permanent prosperity in farming. The answer to the whole question of what to do to escape from exhausting the soil fertility is found in keeping more stock. Live stock has ceased to be a side issue in the organization of the farm, and it no longer serves its main purpose in supplying food for the farm family, but has become the keystone to the whole structure of development in the newer farm economy, which recognizes that the point of diminishing return to labor and capital can be indefinitely postponed only by utilizing live stock of such types and condition as will pay for themselves the year round, both by helping to maintain the fertility of the farm and by contributing to its cash income."⁴

Ownership of Farms.—In 1880, 74.5 per cent of the farms in the United States were operated by the owners or part owners; in 1890, 71.6 per cent, and in 1900, 64.7 per cent. There was a decrease of 2.9 per cent during the period 1880-1890; 6.9 per cent during 1890-1900. In other words, in 1900, three out of every eight farmers in the United States were tenants; or approximately 2,000,000 farms were owned by landlords. With the exception of one section, New England, there has been a marked increase in the percentage of farms operated by tenants. In 1900, Maine reported the highest percentage of owners, 95.3 per cent; and Mississippi the lowest percentage, 37.6 per cent. Only three states report a larger percentage of owners in 1900 than in 1890, namely, Maine, Vermont and New Hampshire. The average percentage for

³ See Review of Reviews, May, 1902. "The Fallacy of Exporting Wheat."

⁴ Industrial Commission Report. Vol. XIX, pp. 160-61.

New England, in 1900, was 88.4 per cent; in 1890, 88.7 per cent, and in 1880, 89.3 per cent. This group reports the highest percentage of owners, and also shows the least percentage of decrease during the last decade.

The states in the Cotton Belt show the lowest percentage of owners; the average in 1880 was 58 per cent; in 1890, 53.6 per cent, and in 1900, 45.7 per cent. Groups IV and VII show the greatest change in the ratio of owners to tenants. Group VII reported 81.2 per cent of its farms as operated by owners or part owners in 1900, 89.1 per cent in 1890, and 88.2 per cent in 1880. Group IV reported 74.2 per cent in 1900, and 82.3 per cent in 1890.

Do these statistics mean that we are approaching a condition in which a great majority of our farms are to be owned by absentee landlords, and operated by tenants who have little or no hope of eventually becoming farm owners?⁸ If so, it is a deplorable tendency and one worthy of consideration by every student of agricultural conditions, a race of tenant farmers means a deterioration of our farming population. This whole problem is bound up in the social, economic and educational problems of the rural community. Given good schools, good roads, efficient and reasonable steam and electric railroad service, good and wide-awake churches, farmers' institutes and clubs and the danger of a permanent tenant class can never become acute.

The extremely low percentage of owners in the South is due to the number of negro tenants. In Mississippi, 66.2 per cent of the white farmers are owners or part owners, while only 16.1 per cent of the negro farmers are owners or part owners. In South Carolina, the percentages are, respectively, 57.8 per cent and 22.2 per cent. In the United States, 746,717 negro farmers were reported in 1900; of this number, 462,675 were found in Group VI. Group VI reports 518,177 white farmers. There are more negro than white farmers in Mississippi, South Carolina and Louisiana.

When slavery was abolished, the wage laborer succeeded the slave laborer; but in recent years a system of renting small farms to negroes has come into extensive use. The negroes are rapidly becoming tenants, and in many cases owners. This is certainly indicative of an improvement in the condition of the negro; also, of a case in which an increase in tenantry is desirable.

Farm Machinery and Implements.—The total value of implements and machinery used by the farmers of the United States, was \$761,261,550 in 1900, \$494,247,467 in 1890, \$406,520,055 in 1880. The gain during the last decade was 54 per cent. A comparison of the cost of hand and machine labor has been made by the Department of Labor. The cost per acre for corn is estimated as \$3.625 for hand, \$1.513 for machine labor; for wheat, \$3.6333 and \$0.6892; for oats, \$3.7292 and \$1.0732. The reduction in labor time is correspondingly great.

What is the influence of farm machinery upon the farmer? It has enabled him to intensify agriculture. He is enabled to raise more products, to do more work, and to shorten his working day. The number of laborers per acre has not greatly decreased. The farm laborer is released from much

⁸ See Report of Industrial Commission. Vol. XIX, p. 96.

drudgery, and is allowed more leisure time. Steady work, if not too prolonged or exhausting, is a boon to mankind; but, if we are to enjoy our lives, if we are to be something more than mere machines for producing and consuming, leisure time must be allowed for social intercourse, for reading, for games and other forms of recreation. The farmer has been allowed little leisure in the past. If machinery gives him more leisure, he must learn how to properly utilize it. Hence, there is a great necessity now for good rural schools and churches, rural mail delivery and other social and economic improvements.

In some cases, the use of machinery has caused a very intermittent demand for farm labor. This may prove to be one of the factors which will prevent extreme specialization of crops.

The Population of Rural Communities.—Is the population of the rural districts in the older states increasing or decreasing? Our cities are still growing more rapidly than the remainder of the country; but the rate of increase is slowing up more rapidly than that of the entire United States. For example, from 1880-90, our total population increased 24.9 per cent; from 1890-1900, 20.7 per cent. During the same periods, the cities now having a population of 25,000 or more, increased 49.5 per cent and 32.6 per cent respectively.

Four out of five counties in Rhode Island (the county in which Providence is located, is the one omitted) reported a population of 78,657 in 1880, 90,383 in 1890, and 99,773 in 1900. This indicated little gain, or perhaps a loss in the strictly rural population. Five out of eight counties in Connecticut reported a gain of 26,740 during the period 1870-1880; 11,180, 1880-1890; and 19,605, 1890-1900. The five counties chosen are those having the smallest population. This shows a tendency toward a larger rural population. Vermont, a state having no large cities, reported an increase in population of 1,735 during the period 1870-1880; 136, 1880-1890; 11,219, 1890-1900. This accords with Connecticut. The rural counties of New York show little change during the last decade.

Professor Cooley has made a study of twelve rural townships in Southern Michigan.* In these townships, there was a decrease of 1,100 during the period 1880-1890, and 628 during the period 1890-1900. He reports similar results in a study of ten rural townships in New York and Connecticut. His conclusion is that there has been a gradual slowing up of the decrease in the rural population of these three states.

The population of the State of Ohio increased 485,229 during the last decade; but five out of eighty-eight counties reported an increase of 294,986. These five counties contained the cities of Cleveland, Cincinnati, Toledo, Columbus and Dayton. Of twenty counties having a population of less than 25,000 each, seven reported an increase in population and thirteen a decrease during the last decade. In the South there is a general increase in the population. In Mississippi, only four counties show a decrease in population since 1890; in Tennessee, eight, and in North Carolina, ten.

* Publications of the Michigan Political Science Association. Vol. VI, p. 355.

These statistics only give force to the belief that the great discrepancy, between the rate of growth of our cities and of our rural districts, is not likely to be as great in the future as it has been in the past. New and powerful factors in rural life, the trolley lines, rural mail delivery, the telephone, better rural schools and better roads, may be expected to cause a backward flow from cities to the rural communities. The isolation of the farmer's life has been one of its worst features. "While one person," says one writer, "is drawn to a city by schools, churches, libraries, concerts and theaters, five are drawn by the excitement and stir and bustle of a city." The reduction in the average size of the family, and the increase of the foreign element have reduced somewhat the social activity of rural communities. The church is no longer the social center that it was formerly in rural communities.

The farmer's life in the past has been characterized in this fashion: "Perpetual toil in good weather all through the busy season, and perpetual loneliness in bad weather and most of the winter." Good roads are to be the solution of the question of "perpetual loneliness" during bad weather. The lot of the farmer's wife has been especially hard. She has been condemned to a life of hard work from early morning to night, day after day, and year after year. If a farmer leads an isolated life, the life which his wife leads is doubly isolated. Woman's domestic industry is one of the "belated industries." The march of modern invention and modern industry has to a large degree passed it by.

It may be urged that this isolation is no new thing, people have always lived more or less in isolation. The isolation of the pioneer was greater than that of any farmer of the present day. The real cause of the discontent lies in the contrast between the social advantages of the city and those of the rural communities. The cities have drained the rural districts on account of their economic and social opportunities. The competition of the grazing lands of the West, and of the cereal growing land situated in Mississippi Valley has caused the abandonment of many farms in the northeastern portion of our country. The increase in intensive methods in agriculture will aid in arresting a decrease in the rural population. The farmer of the near future will be able to obtain many of the advantages of the city without many of its disadvantages, its homelessness, its dirt, its noise and its overcrowding. The writer believes that the census of 1910 will show a relative decrease in the rate of growth of the cities and a relative increase in the growth of the rural population, as compared with the census reports for 1890 and 1900.

Summary.—The farmers of the United States have been and are still passing through a period of adjustment made necessary by the competition caused by cheapened and improved means of transportation. For example, in the New England States much of the land which was devoted to general agriculture has been allowed to lie fallow. Western grains have driven the New England farmer from the grain-producing industry; and not all the land is needed for the more intensive agriculture of the present. This accounts for the increase of the amount of "unimproved land" in this section of the United States. While this, like all other industrial and social changes, has been very hard and trying to many; in the end the whole people will be

benefited. Those products, which can be transported easily and readily over long distances, will be grown in the section or sections best adapted to raise the same. The raising of cattle for slaughter, of sheep, and of the cereals, has already been to some extent confined to certain sections. Market gardening, growing of small fruits, and the production of milk are carried on in proximity to large cities; it being more difficult, though by no means impracticable, to transport the products over long distances. There are, however, influences at work, of which we have already spoken, that may stop this tendency toward localization of certain agricultural industries. Such localization, if carried to an extreme, may actually cause a waste on account of the extra amount of labor and machinery needed to transport the product. The added cost of transportation might outweigh any economy gained in production.

Steam has caused a concentration of industry in the large cities. Our villages have declined in importance. The latter part of the nineteenth century has been characterized by feverish haste and unhealthy unrest in our cities, by idleness and lack of occupation in our villages. In the country districts farmers have worked their farms just as their fathers did; it is only in recent years that there has been an acceptance, in any appreciable degree, of the idea that science is of value to the farmer. A change may be expected in the near future, and this is to be hastened by the long distance transmission of electrical power and by the development of industries requiring a small amount of machinery and power. This is likely to cause a revival of village industry. The farmer will be benefited by the building up of a home market for his produce. When this occurs we may expect an era of more intensive agriculture, and of increased value of all kinds of farm property. The wide separation in location between manufacturing and agricultural industries is to be lessened. With this change will come not only an improvement in agricultural conditions, but also a betterment in the condition of the laboring class.

In conclusion, the part which education is to take must be briefly considered. "The remedy for urban congestion so far as rural population contributes thereto is partly educational and partly economic." "If the cities gave no better educational facilities to children than many country children have to put up with, families would desert such a city as they would a sinking ship."⁷ The last quotation undoubtedly states its case too forcibly; but a great need of the rural community is better educational and social advantages. "We are without doubt in this country just on the edge of a great popular movement for the improvement of the condition of rural life through the improvement of the rural schools. As one phase of the movement there will come the broadening of the instruction in the principles of agriculture, so that in addition to college courses we shall have secondary courses in the ordinary and special high schools and even some elementary instruction in the common schools."⁸ The city does not furnish an environment which is

⁷ Report of Industrial Commission. Vol. XIX, p. 122.

⁸ Popular Science Monthly. September, 1902. Vol. LXI, p. 477.

natural. The education of the young in cities must always lack an essential element. The training received by the farmer lad is one which gives him a great power of adaptability. The lack of such training in the cities is one of the causes for the growth of manual training in our schools. Scientific principles are to guide the successful farmer of the future. Our rural schools, from the primary grades to the agricultural college, must have in view the education of men and women for farm duties.

FRANK T. CARLTON.

Toledo University School.

PERSONAL NOTES

University of Kansas.—Mr. Arthur Jerome Boynton has become assistant professor of economics and sociology in the University of Kansas. Mr. Boynton was born at Janesville, Wis., December 11, 1875, and educated in the public schools, in Beloit Academy and in Beloit College (Ph. B., 1896). For four years Mr. Boynton was teacher of biology and economics in the City High School at Sparta, Wis. During the next two years he received the A. B. from Harvard (1901) and the A. M. from Columbia University in 1902. The year 1902-03 was spent at Harvard.

University of Michigan.—Mr. Frank Burr Marsh has been appointed assistant in history in the University of Michigan. Mr. Marsh was born March 4, 1880, at Big Rapids, Mich., received his preparatory education in the local public schools, and his college course in the University of Michigan, graduating with the Class of 1902. The year 1902-03 was spent at the Sorbonne in Paris.

Dr. Harrison Standish Smalley, who was last year assistant in political economy in the University of Michigan, has been appointed instructor in that institution. He was born in Chicago, April 18, 1878, and educated in the public schools in that city, and in the University of Michigan (A. B., 1900). Dr. Smalley pursued graduate studies in the University of Michigan, 1900-01, 1902-03 and in Cornell University, 1901-02. During the second year at Michigan he was a fellow in political economy and finance.

Under the direction of the Statistician of the Interstate Commerce Commission, Dr. Smalley prepared a report on "State Railroad Regulation from 1890 to 1902." This report has been published by the Commission. Dr. Smalley has also published "A New Phase of Corporation Control in the World To-day," April, 1903.

Dr. Claude Halstead Van Tyne has been called to the University of Michigan as assistant professor in charge of American history department. Dr. Van Tyne was born at Tecumseh, Mich., October 16, 1870, educated in the local public schools and at the State University, receiving the A. B. in 1896. In 1896-97 he was at Heidelberg, 1897 Leipzig and Paris and from 1898-1900 at the University of Pennsylvania as fellow in history, receiving the Ph. D. in 1900. For the next three years he was senior fellow in the last-named institution and in 1903 he spent six months in Washington, D. C., making a report for the Carnegie Institution on the facilities for historical research.

Dr. Van Tyne is a member of the American Historical Association, the Pennsylvania Historical Society and he is editor of *Foundations of American History*, published by the Booklovers' Library.

Dr. Van Tyne has published the following:

"*The Loyalists in the American Revolution.*" Macmillan Company, 1902. 8vo. 360 pp.

"*Brief History of the United States.*" Published by the United States Government for distribution in the Philippines.

"*Letters of Daniel Webster.*" McClure, Phillips & Co., 1902. 8vo. 770 pp.

College of the City of New York.—Professor John H. Finley, late of Princeton, has become president of the College of the City of New York.

Since 1900,¹ Dr. Finley has published the following:

"*The Isle of Pines.*" Scribner's Magazine, February, 1903.

Monthly contributions to *The Lamp*. Chas. Scribner's Sons.

Frequent contributions to *Harper's Weekly* on political subjects, 1902-1903.

New York University.—Dr. Frederick A. Cleveland has been appointed professor of finance in the New York University.

During the past two years Dr. Cleveland has held the following positions: Instructor in Finance, University of Pennsylvania, 1900-03.

Member of Committee on Uniform Municipal Accounting and Statistics of the National Municipal League.

Secretary of Committee on Uniform Municipal Accounting and Statistics.

Lecturer in finance, New York University, 1902-1903.

Professor in finance, New York University, 1903-1904.

Associated with Haskins & Sells, certified public accountants, 30 Broad street, New York.

Director of the American Academy of Political and Social Science.

Since the last personal note in January, 1901,² Dr. Cleveland has published the following works:

"*Funds and Their Uses.*" In D. Appleton & Co.'s Business Series, 1902. Pp. 318.

"*First Lessons in Finance.*" D. Appleton & Co.'s Twentieth Century Text-Book Series, 1903. (The same being a revised edition of "*Funds and Their Uses.*")

"*Is the United States Treasury Responsible for the Present Monetary Disturbance?*" Annals of American Academy, November, 1902.

"*The Present Financial Outlook.*" Annals of American Academy, March, 1903.

"*Memorial Edition of Essays on Accountancy and Business Education.*" By Chas. Waldo Haskins. Introduction and biographical sketch by the editor. Harper & Bros., 1903.

Dr. Cleveland has also contributed a series of financial articles to the *Railway World*, and has written for financial journals.

University of Pennsylvania.—Dr. Jacob Elon Conner has been appointed instructor in economics in the Wharton School, University of Pennsylvania. Dr. Conner was born at Wilmington, Clinton County, Ohio, but educated in Iowa, going through the public schools of Henry County, Howes Academy at Mt. Pleasant and the State University, graduating as

¹ See THE ANNALS, vol. xvi, p. 282, September, 1900.

² See THE ANNALS, vol. xvii, p. 108.

Bachelor of Arts in 1891. Graduate work was pursued at Yale, 1891-1892, Chicago 1892-1893, University of Iowa as fellow 1900-1902, receiving the Ph. D. in 1903. He was principal of the Congregational Academy at Pt. Byron, Ill., 1893-1896, held a similar position at Denmark, Ia., and in 1902-1903 was assistant in commerce and finance in the State University of Iowa. He is a member of the following societies: The American Economic Association, the Iowa Political Science Club, the American Academy of Political and Social Science.

Dr. Conner has published the following:

"*Uncle Sam Abroad.*" Rand, McNally & Co., 1900. Pp. 250.

An article under same title in the *World To-day*, August, 1903.

Dr. James Wilford Garner³ has been appointed instructor in political science at the University of Pennsylvania. Dr. Garner has been lecturer at Columbia University and acting editor of the department of political science of the New International Encyclopedia. In the latter capacity he has contributed most of the articles in American History and Political Science to the Encyclopedia from the fourth volume on, numbering about three hundred. Among the more important of these are:

Articles on the governments of American and European countries, except Austria-Hungary.

Articles on the Missouri Compromise, Monroe Doctrine, Municipal Corporations, Nullification, Northwest Territory, Nicaragua Canal, Neutrality, Panama Canal, Reconstruction, Privateering, Referendum, Representation, Secession.

Mr. Thomas W. Mitchell,⁴ who was last year assistant instructor in economics and statistics in the State University of Iowa, has become assistant in economics in the Wharton School, University of Pennsylvania.

Dr. Joseph Russell Smith has been appointed instructor in commerce in the Wharton School, University of Pennsylvania. Dr. Smith was born at Lincoln, Loudoun County, Va., February 3, 1874, and educated in the Friends' School at that place and Jenkintown, Pa. He studied in the University of Pennsylvania, 1893-1894 and 1897-1898, receiving the Bachelor's degree. In 1896 and 1897 he attended the summer sessions of the University Extension Society and in 1898-1899 and 1902-1903 did graduate work in the University of Pennsylvania. The University year 1901-1902 was spent at Leipzig and the Ph. D. degree was received at the University of Pennsylvania, 1903, while Harrison fellow in economics. The Doctor's thesis was on "The Organization of the Ocean-Carrying Trade."

In 1895-1896 Dr. Smith was teacher of history and geography at Abington Friends' School, Jenkintown, Pa. He was instructor in history at the George School, Newtown, Pa., during 1896-1897 and 1898-1899. From 1899-1901 he was with the Isthmian Canal Commission at Washington, assisting Professor Emory R. Johnson with traffic investigations. He is a member of the American Academy of Political and Social Science.

³ See THE ANNALS, vol. xx, p. 402, September, 1902.

⁴ See THE ANNALS, vol. xx, p. 630, November, 1902.

The list of his published writings is as follows:

"*The Philippine Islands and American Capital.*" Popular Science Monthly, June, 1899.

"*Western South America and its Relation to American Trade.*" Annals of American Academy of Political and Social Science, November, 1901.

"*American Forestry—A New Career.*" Forum, May, 1902.

"*Geography in Germany. I. The Primary and Secondary Schools. II. The University.*" Journal of Geography, November and December, 1902.

"*The Economic Geography of the Argentine Republic.*" Bulletin of the American Geographic Society, April, 1903.

Princeton University.—Dr. Arthur Cleveland Hall has been called to Princeton University as instructor in economics and sociology. Dr. Hall was born in New York City, October 25, 1865, received his early education in a private school at Middletown, Conn.; St. John's Military School, Manlius, N. Y. He was four years at Trinity College and received the A. B. in 1888. His graduate work was pursued at Johns Hopkins University, 1892-1894; Columbia University, 1894-1895 (fellow in sociology), 1898-1900, 1902-1903. The Ph. D. was conferred by Columbia in 1901.

From 1888 to 1892 Dr. Hall was in the printing and publishing business in New York and in 1891-1892 he was assistant business manager of the New Bedford *Evening Post*. While a graduate student he worked for charity organizations in Baltimore, Brooklyn and New York, investigated the Coxey movement of 1893, was assistant superintendent of the Bureau of Charities and Corrections, at World's Columbian Exposition, Chicago, 1893.

In 1895 he was volunteer tenement inspector for the R. W. Gilder Tenement Commission and from 1901-1903 was in charge of the Orange Valley Social Settlement, and New Jersey state delegate to National Prison Association.

Dr. Hall has published the following:

"*Crime in its Relation to Social Progress.*" Columbia University Press, 1902. Pp. xvii, 427.

"*An Observer in Coxey's Camp.*" The Independent, May, 1894.

"*Cuttyhunk.*" The New England Magazine, September, 1897.

Purdue University.—Mr. Edward Hatton Davis has been appointed instructor in economics and history in Purdue University. Mr. Davis was born March 27, 1879, at Hyde Park, Norfolk County, Mass. His early education was obtained in the local grammar school and in the Berkeley and Chauncey Hall Schools in Boston. In 1900 the Bachelor's degree was received from Massachusetts Institute of Technology, and the year 1902-1903 was spent in the School of Political Science, Columbia University.

During the summer of 1900, Mr. Davis was special agent for Manufactures for the United States Census, and this was followed by two years' service as statistical clerk in the Department of Municipal Statistics, Boston, Mass.

Western Reserve University.—Dr. Elbert Jay Benton has been appointed instructor in history in the Western Reserve University. Dr. Benton was born at Dubuque, Ia., and educated in the public schools of Holton, Kan., and Campbell College, receiving the Bachelor's degree in 1895. He went to

Johns Hopkins University as University scholar in 1901, as fellow in 1902, and received the Ph. D. in 1903.

From 1897 to 1900 Dr. Benton was instructor in history in the Lafayette (Ind.) High School.

He has published the following works:

"Taxation in Kansas." 1899, 40 pp. 12mo. Johns Hopkins Studies.

"The Wabash Trade Route in the Development of the Old Northwest." 1903, 112 pp. 12mo. Johns Hopkins Studies.

BOOK DEPARTMENT

NOTES

THE LATE PROFESSOR JOSEPH LECONTE, whose autobiography¹ has recently been published, was a man of Southern birth and education. His views on the race problem in the South are of interest. He believed that "the great impoverishment of the South was due wholly to the complete disorganization of the labor, as a necessary consequence of the sudden change," due to freeing the slaves. Concerning the question of negro suffrage, LeConte held the view that there should be a franchise without distinction of color, but with an educational and property qualification. He believed in a government of all the people, for all the people, but not by all the people.

THE FOURTH VOLUME of Appleton's Series of Historic Lives has for its subject "Sir William Johnson."² While a number of books have been written on this interesting Colonial character, the present volume brings its subject in closer touch with the history of the time than those which have preceded it. Much of conjecture has been directed toward the possible results of alienation of the Iroquois and the other tribes which made up the confederation known as the Six Nations at a time when Anglo-Saxons were struggling for a foothold on the Western Continent. Mr. Buell does not engage in conjecture of this kind, but by confining himself to the public acts and private life of Sir William Johnson, and pointing out his great activity in the service of the Crown, he has contributed a chapter to American history that cannot be ignored. His portrayal gives a clearer insight into all of the conflicts between England and France, on the one hand, and between the aboriginal inhabitants and the European invaders of their territory on the other, than could possibly be drawn from a general account in which the personality of a leading figure is largely lost. Although Sir William Johnson died just at the beginning of the Revolutionary War, his influence may be traced in our Indian policy to the present day, and the stamp of his enterprise is still to be found on a large part of the interior of the State of New York.

MR. JOHN R. DOS PASSOS' "The Anglo-Saxon Century and the Unification of the English-Speaking People,"³ suggests in its title the theme of the work. After setting forth in his peculiarly free and graphic style the import of the last year of the nineteenth century in its bearing on Anglo-Saxon

¹ The Autobiography of Joseph LeConte. Edited by William Dallam Armes. Pp. xviii, 337. Price, \$1.25. New York: D. Appleton & Co., 1903.

² By Augustus C. Buell. Pp. vii, 281. Price, \$1.00. New York: D. Appleton & Co., 1903.

³ Pp. xv, 242. Published by G. P. Putnam's Sons, New York, 1903.

supremacy, the author boldly predicts for a united English people the domination of the political world. The reasons given for such a conclusion are drawn from historical analogy and the strong vitality of English institutions. Attention is called to sentimental, economic and legal reasons for union, and as causes for alliance he points to the pressure which will come from continental influence and competition. Mr. Dos Passos has gone further than most writers on this subject, and has set out in detail a plan by which he believes this much desired result may be attained. Perhaps the weakest part of his appeal may be found in the attempt to indicate the specific manner in which his prophecy of political evolution will take place. It is a shock, both to an American and an English reader, even though he accept the desirability of union, to read the detailed prescription that Canada shall release her bond of sovereignty to England and divide her territory into provinces which shall be admitted as states of the Union—and this, too, as one of the steps incident to binding England and America more closely together. The mistake is made that from pure sentiment, which, to say the least, at the present time is ill-defined, the author attempts to forecast the trend of historical events through the coming century with reference to Anglo-Saxon alliance. The work, however, may have some force in raising up discussion and helping to mold opinion. The most fruitful suggestion seems to be along the lines of an Anglo-Saxon Zollverein.

THE CIRCUMSTANCES UNDER which the municipal code of Ohio⁴ was passed, in October, 1902, attracted attention throughout the country. The Supreme Court of the state, by a decision rendered in June, 1902, declared unconstitutional the legislation under which the cities of the state had been organized, on the ground that it violated the provisions of the state constitution, forbidding local and special legislation. It was necessary to call a special session of the legislature, to which the governor submitted a municipal code which was intended to guarantee to the cities of the state a wide measure of home rule and to guard them against the evils of state interference in their local affairs. It is this new code which Mr. Ellis has annotated with a wealth of explanatory notes and a careful comparison with the provisions of the old municipal laws. The annotations have been so arranged as to bring out very clearly the main features of the code. The work is deserving of special mention because the Ohio Code is likely to have considerable influence upon municipal legislation in this country. The careful compilation of Mr. Ellis will be welcomed by students of municipal government as an important contribution to the literature of the subject.

"GRIFFIS' YOUNG PEOPLE'S HISTORY OF HOLLAND"⁵ is in thorough keeping with its title, and the reader must therefore not expect to find in it a full pre-

⁴ Ohio Municipal Code. By Wade H. Ellis. Pp. xxxii, 957. Price, \$3.50. Cincinnati: W. H. Anderson Company, 1903.

⁵ By William Elliot Griffis. Pp. 322. Price, \$1.50. Boston: Houghton, Mifflin & Co., 1903.

sensation of the history of Holland. It tells the story of the Dutch people in clear narrative form, selecting everywhere the concrete and tangible; persons and events rather than theories, and tendencies or even politics. The result is a simple and entertainingly told history of Holland for young people that is comparatively free from the use of the pot and shears that so frequently characterizes the making of books of this kind. The illustrations are valuable, being in most cases from contemporary paintings or engravings. The book has an index and an outline of Dutch history in the form of an appendix.

UNDER THE TITLE OF "The Lords Baltimore and the Maryland Palatinate"⁶ there has been published the series of six lectures on Maryland colonial history, delivered by Clayton Colman Hall, before the Johns Hopkins University in 1902. The lectures present an excellent sketch of the lives of the successive barons of Baltimore, together with a review of the more important events relating to the history of colonial Maryland and the relation of the proprietaries to their province. The treatment, although popular in form, is a scholarly one, being based upon the best authorities, and primarily upon the colonial archives. Especially valuable is the very fair and judicial discussion of the much controverted topic of the establishment of religious toleration. The final lecture gives an interesting account of the manners and customs, the social and economic conditions of the province. The author gives in his preface a discriminating estimate of the chief secondary works upon the history of Maryland, and supports his text by frequent references in his footnotes to the archives and other authorities consulted. Excellent reproductions of a portion of Herrman's map of Virginia and Maryland, published in London in 1673, and of the map used in the settlement of the boundary dispute between Maryland and Pennsylvania, are inserted in the volume.⁷

A DELIGHTFULLY WRITTEN ESSAY in local history, entitled, "Pioneers of Unadilla Village,"⁸ bears the authorship of Mr. Francis Whiting Halsey. The work is intended as a memorial to Mr. Halsey's native village. It has, however, more than local significance as the history of Unadilla is closely woven into the web of migrations which played so large a part in the development of the interior during the early part of the last century. Another interest is found in the detailed account of land tenures under the peculiar system in vogue in New York, in the description of early town meetings, of road houses, road districts and the other local institutions and activities which bring into clearer light the early pioneer life of the American people. Mr. Halsey's work must be classed among those authentic local histories which

⁶ The Lords Baltimore and the Maryland Palatinate. By Clayton Colman Hall, LL. B., A. M. Pp. xvii, 216. Price, 60 cents. Baltimore: John Murphy Company, 1902.

⁷ Contributed by Professor Herman V. Ames, University of Pennsylvania.

⁸ Pp. xvii, 323. Privately published. Sold by The Vestry of St. Matthew's Church, Unadilla, New York.

have been written of New England towns. It has none of the characteristics of the usual crude efforts toward local history writing.

THE FOURTH VOLUME of the series of Source-readers in American History, selected and annotated by Professor Albert Bushnell Hart, of Harvard University, with the collaboration of Elizabeth Stevens, is entitled "The Romance of the Civil War."⁹ Like the other volumes, this book is intended for children in the grammar grades, and is made up of current writings of the period immediately prior to and during the struggle, which give color to the history of the time. The selections are arranged under eight titles: "The Plantation," "The Underground Railroad," "In and Out of the Army," "Boy Soldiers and Sailors," "In Camp and on the March," "Under Fire," "On Deck" and "Women and the War." Among those represented are some of the most noted writers of the time. Anonymous writings and selections from the more obscure are also found in the collection.

JOHN A. HOBSON'S "Imperialism, a Study,"¹⁰ is more accurately described in the preface than in the sub-title, for it declares the volume to be "distinctively one of social pathology, and no endeavor is made to disguise the malignity of the disease." Mr. Hobson approaches the subject as an ardent and avowed anti-imperialist, rather than as a dispassionate student of history and politics; and the consequence is a first-class campaign document, but not a careful "study" of the difficult and intricate problems incidental to the extension of the power and influence of the great nations over less civilized ones. In Mr. Hobson's view, the spirit and "policy and the methods of imperialism are hostile to the institutions of popular self-government, favoring forms of tyranny and social authority which are the deadly enemies of effective liberty and equality." Our author restates this thought in a variety of ways; but there is no variation of the theme. He takes a hopeless view of present day tendencies in America and Great Britain. He is really morbid on the subject, and he views the formidable mass of material touching British expansion which he has brought together as fit material for pathological studies. For instance, "Imperialism is a narrow, sordid thing"; the peril of imperialism resides in the "falsification of the real import of motives"; it is "partly the dupery of imperfectly realized ideas, partly a case of psychical departmentalism." These quotations, which are all taken from the first few pages of the chapter on "Moral and Sentimental Factors," illustrate alike the style and the point of view. Generalization is our author's favorite method of treating the subject; and is one of the chief faults of the work. For instance (on page 83) he declares that "it is Messrs. Rockefeller, Morgan, Hanna, Schwab and their associates who need imperialism and who are fastening it upon the shoulders of the great Republic of the West. They need imperialism because they desire to use the public resources of their

⁹ Pp. xvi, 418. Price, 60 cents. New York: Macmillan Company, 1903.

¹⁰ Pp. 400. Price, \$2.75. New York: Jas. Pott & Co., 1902.

country to find profitable employment for the capital which otherwise would be superfluous." It is to be regretted that a man of Mr. Hobson's undoubted ability has permitted himself to be led into the faults of overemphasis and generalization and a too hasty acceptance of conclusions thus derived. To those who seek anti-imperialistic arguments, this book is to be recommended; but not to those who are really seeking light on a difficult and complex problem.¹¹

MR. ALFRED HODDER'S book, "A Fight for the City,"¹² is the first description of a reform movement in which a broad philosophic treatment of the elements that enter into a local political campaign is attempted. Mr. Hodder describes the Low-Jerome campaign of 1901, in a spirit which does complete justice to Mr. Jerome, but ignores the other candidates. Instead of merely eulogizing Mr. Jerome, the author has made him the text of an essay on the play of political forces in a great city. Every chapter abounds with keen analysis and incisive comment. The chapters on "The Powers that Rule" and "The People's Cause" reach the level of the best pages of American political descriptive literature. The book is one that deserves careful reading, especially by the younger men who are striving to raise the level of our city life.

"THE LIFE OF JAMES MADISON," by Mr. Gaillard Hunt,¹³ is an essay which contains new information on the public and private aspects of Mr. Madison's eventful career. Mr. Hunt has already established himself in the confidence of historians by his thoroughness and skill in editing "The Writings of James Madison." His contributions made to history and the new biographical setting given to his character sketch come from the closer contact of research in the preparation of his former work. There is scarcely an important phase of American History, from the Revolution down to 1825, that has not gained something from the treatment here given.

"THE RISE AND PROGRESS OF THE STANDARD OIL COMPANY"¹⁴ is a reprint and revision of articles appearing in the *Quarterly Journal of Economics*. The account begins with the organization of the first Standard Oil Company in 1865, and sets out in lucid style the main incidents of organization and operation to the date of publication. Unlike many of the current writings on the subject, it is remarkably free from bias, and may be considered one of the most instructive and authoritative accounts that has yet been put into print. The magazine character of the original has limited the scope of the work, and in this particular it may be somewhat disappointing.

¹¹ Contributed by C. R. Woodruff.

¹² Pp. xi, 246. Price, \$1.50. Macmillan Company, New York, 1903.

¹³ Pp. viii, 402. Price, \$2.50. New York: Doubleday, Page & Co.

¹⁴ By Gilbert Holland Montague. Pp. vii, 143. Price, \$1.00. New York: Harper & Brothers, 1903.

A REGION OF GROWING interest to the traveling public is the Grand Canyon of the Colorado. Within two years a number of volumes have been published with the commendable intention of giving the traveler an intelligent understanding of the region. One of the latest of these¹⁵ consists almost wholly of pictures, preceded by a few pages only of introductory remarks. But the pictures are a good collection, and are eloquent in description.

ALTHOUGH THE WORK of Professor Scott is based on Snow's "Cases and Opinions on International Law,"¹⁶ it is in reality a new book. The author has preserved Dr. Snow's arrangement of the subject, but has so enriched the book with new cases that the work may be regarded as his own. The fact that Dr. Snow's book only contains 520 pages of cases, while the present work contains 933, is sufficient indication of the enlarged scope of the work. The author has also greatly improved the index. The only cause for regret is that he omitted the republication of the documents contained in the appendix of the original work and which included the "Declaration of Paris," "The Geneva Convention," "The Instruction for United States Armies in the Field," and other important material for the study of international law. In spite of this fact, however, the book of Professor Scott is certain to supersede Snow's cases. It furnishes to the American student the possibility of studying international law by the "case method." The cases have been selected with such care that it will hardly be necessary for the student to use English case books such as Cobbett. The work of Professor Scott gives to the study of international law a definiteness which it has not hitherto enjoyed.

THE FIRST TWO-THIRDS of "The Real Benedict Arnold," by Mr. Charles Burr Todd,¹⁷ are devoted to a vivid, but rather distorted description of his early Revolutionary career; while the last third consists of a labored attempt to shift the blame of his treason upon an ungrateful Congress and his gay young wife—a method of defence neither gallant nor historically well founded.¹⁸

THE STATE PRINTER OF PENNSYLVANIA (William Stanley Ray, Harrisburg) has just issued a pamphlet of 162 pages, entitled "Vetoes by the Governor, of Bills Passed by the Legislative Session of 1903." It constitutes a unique volume, and is one that will interest the student of current politics and legislative methods. Governor Pennypacker holds the record not only in his own state, but very likely in the whole United States for vetoes. During

¹⁵ *Glimpses of the Grand Canyon of Arizona*. By Henry G. Peabody. Price, \$1.25. Kansas City. Fred Harvey.

¹⁶ *Cases on International Law*. By James Brown Scott. Pp. lxiv, 961. Boston: Boston Book Company.

¹⁷ Pp. 233. Price, \$1.20. New York: A. S. Barnes & Co., 1903.

¹⁸ Contributed by I. J. Cox.

and after the session of the Pennsylvania legislature just closed, he vetoed ninety-two measures, and if we take into consideration the bills which were withdrawn from him and amended at his suggestion, and those which were quietly defeated because of his declared opposition, the number would run up to considerably over a hundred. No chief executive of recent years has shown more care in the examination of bills submitted to him for his signature, and the number of veto messages which he has filed of record, clearly indicates the high standard of his requirements.

"AN EXAMINATION OF SOCIETY"¹⁹ by Mr. Louis Wallis, is based upon his article, "The Capitalization of Social Development," in the *American Journal of Sociology* for May, 1902. "The book attempts to bring the doctrine of social evolution more definitely into relation with the facts established by the newer treatment of history and life." The central point in social history is the separation into classes. This "social cleavage" made possible the amassing of capital which is social in its origin, although held chiefly by individuals. "Society is a collectivism, or socialism, developed under the forms of individualism. Only in this way could progress come." Progress is not conscious: "By the operation of cosmic forces, and without knowledge of what is working out in their lives, primitive men are carried up from savagery and animalism into civilization." Cleavage is "the engine through which art worked out into civilization." The influence of this "cleavage" is traced in the oriental, classical and modern societies. In the author's opinion "social cleavage is one of the principal factors in the capitalization of social development." It, however, brings trouble as well as progress and has involved modern nations in the central problem of the age, that of "bringing land, labor and capital together in the freest way." The difficulty is that the wealthy own the land. On the whole, the single tax is probably the easiest way out.

AMONG THE VARIOUS treatises of recent date devoted to municipal problems few have been so practical in purpose as "Municipal Public Works," by S. Whinery.²⁰ The book is valuable not for its sociology, but for its statement of practical difficulties attending the conduct of municipal enterprises. It seems that this is just the sort of book that we may reasonably expect the average alderman or mayor to take seriously. If a contract is to be let, or an assessment to be levied, or the building of a bridge to be supervised, valuable suggestions will be found as to the expedient next step. The book is notable in that it is addressed not to the reformer or the voter or the editor, "but directly to the executive department of municipal activities."²¹

¹⁹ Pp. 325. Price, \$1.75. Columbus, Ohio: Argus Press, 1903.

²⁰ Pp. xvi, 241. Price, \$1.50. New York: Macmillan Company, 1903.

²¹ Contributed by William H. Allen, New York.

REVIEWS

Rural Sanitary Administration in Pennsylvania. A paper read in abstract before the Annual Meeting of the Associated Health Authorities of Pennsylvania at Mechanicsburg. Extracted from the Seventeenth Annual Report of the State Board of Health. By WILLIAM H. ALLEN, Ph. D. Harrisburg: W. S. Ray, 1903.

The State of Vermont, with a small and almost exclusively rural population of 340,000, contributes to the work of state sanitary administration the sum of \$10,000 per year. The people of Pennsylvania, six millions in number, through their representatives, annually appropriate only \$6,000 for the use of their State Board of Health, an amount which represents a per capita expenditure only one-thirtieth as large as that of the Green Mountain State. Pennsylvania could well afford to furnish its State Board of Health with ten times that sum, for the purpose of enabling it to carry out a single inquiry—the investigation of the sanitary circumstances and conditions attendant upon the mining industry, and the best methods of improving such conditions as are found to exist among the miners. As much more should be provided to enable the State Board to perfect, and bring into active use, a thorough system of vital statistics throughout every village and hamlet of the state, thereby making its name of Board of Vital Statistics something more than a nominal title. For this purpose, no better example can be quoted than that of Michigan, where by the energetic action of one intelligent physician, the vital statistics of the state have been brought to a condition of perfection, surpassing in many points those of the older states. Massachusetts annually expends through its state board, for the protection of the purity of its inland waters alone, a sum nearly six times as great as that which Pennsylvania gives to its State Board of Health for all purposes. With such facts in view Dr. Allen has performed for the State of Pennsylvania a useful service such as was done in earlier years for England and Scotland by Chadwick and Simon, of London, and by Russell, of Glasgow.

Dr. Allen's able monograph may be commended not only to the careful attention of every member of the legislature of his state, but also to sanitarians generally throughout the country, since the defects which are so thoroughly exposed in this piece of scholarly criticism are not confined to Pennsylvania, but exist in a greater or less degree throughout the Union. These defects are not so much those of administration as of want of intelligent appreciation on the part of the people and consequently of neglect to provide adequate appropriations for carrying out the legitimate work of a sanitary board.

The following titles of chapters show the general character of the address:

1. The Evolution of Sanitary Science.
2. The Growth of Sanitary Administration in Pennsylvania.
3. Introduction of State Control.
4. Powers of the State Board of Health and Vital Statistics.
5. The Vital Statistics of Pennsylvania.
6. Practical Results of State Control.

After reviewing the history of general sanitation in past centuries, the local history of public health in Pennsylvania is taken up and the author presents a brief sketch of the growth of sanitary administration in the state from the days of William Penn down to the establishment of the State Board of Health in 1885, an event which resulted from the Plymouth epidemic of typhoid fever, where in a small town of 8,000 there were 1,100 cases and 114 deaths, all of which were due to the pollution of the public water supply.

In the third chapter each of the principal functions of a central sanitary authority is separately treated.

In the chapter relating to Vital Statistics the writer points out the proper remedies for perfecting the system of registration: (1) The establishment of health authorities in every town in the state; (2) the establishment of county experts in statistics; (3) the enlistment of the services, either by compulsion or compensation, of every physician, midwife, clergyman, magistrate or undertaker, who may officiate at births, marriages, deaths, burials or attend upon infectious cases; and lastly, the State Board should be given funds sufficient to execute existing laws where local authorities are incompetent.

To these items we would add that much importance may properly be attached to the existence of adequate legal penalties for neglect and refusal to comply with the provisions of such laws as may be enacted, as well as the placing of the enforcement of such laws in the hands of properly qualified magistrates.

The power to abate local nuisances appears to have been conferred upon the State Board of Health of Pennsylvania. This mistaken policy is shown in the fact that the State Board of Health in a single year abated 102 local nuisances. "It must be asserted, however, that the central authority was designed for higher purposes than local scavenging." "As at present acting, our state administration of the elaborate sanitary code has degenerated into mere nuisance abatement. Central control means here local irresponsibility. Our board is discharging the same executive functions as the town constable of the time of Queen Elizabeth."

Those portions of the monograph which relate to local questions are illustrated with several valuable tables, giving the population of different groups of towns, their death-rates, number of nuisances reported, salaries of health officials and facts relating to vaccination.

S. W. ABBOTT.

Massachusetts State Board of Health, Boston.

Human Nature and the Social Order. By CHARLES HORTON COOLEY. Pp. viii, 413. Price, \$1.50. New York: Charles Scribner's Sons.

In "Human Nature and the Social Order" Professor Cooley aims to set forth "what the individual is considered as a member of a social whole." Current social theory is wrong in its treatment of the individual for a "separate individual is an abstraction unknown to experience and 'society' and 'individual' do not denote separable phenomena, but are collective and

distributive aspects of the same thing." "Individuality is neither prior in time nor lower in rank than sociality—the line of progress is from a lower to a higher type of both, not from one to the other." Society "in its immediate aspect is a relation among personal ideas." "The imaginations which people have of one another are the *solid facts* of society, and—to observe and interpret these must be the chief aim of sociology." "Self and other do not exist as mutually exclusive social facts." Professor Cooley does not deny personal opposition, but claims that "it does not rest upon any such essential and, as it were material separableness as the common way of thinking implies." "Society is rather a phase of life than a thing by itself; it is life regarded from the point of view of personal intercourse. And personal intercourse may be considered either in its primary aspects, such as are treated in this book, or in secondary aspects, such as groups, institutions or processes. Sociology, I suppose, is the science of these things."

Professor Cooley has been allowed to speak for himself that some idea might be given of his method and manner. His treatment of his subject is entirely from a psychological viewpoint. The style of the book is clear and attractive, the text abounding in happy quotations. In an interesting way the author deals with sympathy, hostility, emulation, leadership, conscience, the meaning of "I," personal degeneracy, freedom.

We are indebted to Professor Cooley for a stimulating and suggestive discussion. The book must be read—and read carefully—to catch its full import. There will be many to object to his classification of sociology as a purely subjective science. In his desire to set forth the psychological elements the author seems to lose touch with the material basis both of individual and social existence. Certainly some of the motive forces do not spring from what we know as the mind. This by no means contradicts the author's claim that "any study of society that is not supported by a firm grasp of personal ideas is empty and dead."

CARL KELSEY.

University of Pennsylvania.

Studies in the Evolution of Industrial Society. By RICHARD T. ELY, Ph. D., LL. D. Pp. vii, 497. Price, \$1.25 net. New York: The Macmillan Company, 1903.

Professor Ely has done more perhaps than any other economist to popularize the study of economic questions, and in this, his latest addition to the Citizen's Library of Economics, Politics and Sociology, he has not departed from the tradition already established in this direction. In his usual facile style he has made an excursion into that "general borderland where economics, ethics, biology and sociology meet," such as is bound to arouse popular discussion and interest. The fact that nothing new is brought out in the work and that because of its wide scope and consequent brevity but little is conclusive, does not detract from its usefulness.

The book is divided into two parts of unequal length, the first and shorter one serving as an historical sketch of the development of industrial

society, introductory to the discussion of special problems in Part II. Part I, the working out of which probably suggested the title of the book, traces the evolution of industrial organization from its beginnings in the period of savagery to its complex arrangement at the present day. The criterion of classification followed is that of change in methods of production, rather than that of the developing of successively larger industrial units, of new processes of exchange, of new types of labor or of new stages of mental development, although each of these receives a share of attention and all are helpfully grouped in a table for purposes of comparison. Society is viewed as an organism and the study of its industrial progress as but one of the many phases of its growth. Herbert Spencer's general and external interpretation of evolution is casually applied to the matter under discussion from time to time—a method, which though hardly of permanent scientific value, is yet immensely suggestive to beginners. There is much that is stimulating in the treatment of economic classes. Their existence in this country is clearly recognized; but Professor Ely with his healthful optimism sees forces at work making for the attainment of friendly and harmonious co-operation of classes. In the discussion of recent tendencies much is brought forward to bear out this view. It is questionable, however, whether he is justified in considering public ownership of natural monopolies, and private ownership with attempted public control, as respectively Teutonic and Latin in tendency.

Part II is made up in the main of a number of articles, addresses and reviews previously printed elsewhere, embodying Professor Ely's well-known utterances on a variety of topics of current interest. The first three chapters are of fundamental interest and importance, and they possess a unity of treatment that is lacking in the later portion of the book. These chapters deal with the relation of the process of evolution to race progress. Much of the literature bearing on this topic is helpfully reviewed and many apt criticisms are made. Particularly significant are various hints suggestive of lines of investigation which, if followed out, would give us some indication as to whether the race is improving or degenerating under the influence of modern altruism. On the other hand, the discussion is not always clear, and our need of a definite and fixed use of terms is nowhere more clearly shown than here. For instance, instead of the test of a good social measure being its capacity for strengthening "the individual and the group for competition [*i. e.*, for *struggle*]," the criterion should rather be that of helpfulness in furthering the process of individual and social *adaptation*.

So far as there is any central or dominating idea in the remaining chapters, it turns on the problem of monopoly and its sister questions, the integration of industry and the concentration of wealth. Although the scale of organization seems gradually to be enlarging, Professor Ely sees no reason to accept the position "that our present industrial evolution is bound to terminate in general monopoly"; and though there seems to be a tendency toward the concentration of wealth, he is extremely hopeful that the "dawning self-consciousness of society will ultimately lead to a wide diffusion of the 'advantages of civilization.'"

On the whole, apart from Part I, which might well be used in the classroom as an introduction to the study of elementary economics, it may be said of the work that its chief value lies not on the academic side, but on the side of the suggestiveness of its reasoning and of its inspiring moral tone to the more thoughtful portion of the general public.

ROSWELL C. MCCREA.

Bowdoin College, Brunswick, Maine.

Social Origins. By ANDREW LANG. *Primal Law.* By J. J. ATKINSON. Pp. xviii, 311. Price, \$3.60. New York: Longmans, Green & Co., 1903.

As the above titles indicate, this work contains the investigations of two authors. As there is no necessary dependence of the two parts it matters not which is read first. "Primal Law" traces society upward from some apelike ancestor, while the law itself is the fundamental principle in accordance with which man and society have evolved. In "Social Origins" Mr. Lang deals with "the present state of the discussion as to the beginning of the rules regulating marriage among savages," and in doing so he presents the views of McLennan, Morgan, Crawley, Frazer, Spencer, Tylor, Avebury, Westermarck, Durkheim and others. The author has views of his own which he states with clearness and force. For instance, he claims that exogamy became fully developed "when the hitherto anonymous groups, coming to be known by totem names, evolved the totem superstitions and tabus." Prior to this, it only tended to arise for various reasons, among which are enumerated sexual jealousy, sexual superstition and "sexual indifference to persons familiar from infancy." It will be seen that this view is opposed to the one presented by Mr. Atkinson in the second part of the book.

In "Primal Law," Mr. Atkinson bases his theory on the assumption that our anthropoid ancestor was unsocial. He believes that the human race descended from a single pair, and promiscuity in the primitive stage is rejected as improbable. The ancestor of man, it is asserted, lived in small communities, each with a single wife or several who were jealously guarded from all other men. Male members of the family grown to adolescence were objects of suspicion, and were driven from the group. Finally mother love asserted itself in defence of the youngest male child, and he was allowed to remain. However, this younger male member of the family was retained only on condition that the marital rights of the senior would be respected as extending over all the women of the horde. Brother and sister avoidance became absolute. Marriage of the junior member would depend upon the capture of a wife in another group and here appears the origin of exogamy. "Hence comes the evident corollary to the argument that the primal law and exogamy stand to each other in the mutual relation of cause and effect."²⁰ By degrees, male members would be permitted to remain in the family, and these in turn would secure brides from another horde. With the growth of intelligence, the marital relations of the head of a family with the daughters

²⁰ Page 247.

ceased, and brothers began to exchange their sisters for brides. In brief, this is the theory of J. J. Atkinson of the origin of marriage and endogamy—a theory as novel as it is interesting.

J. E. HAGERTY.

University of Ohio.

Early Political Machinery in the United States. By GEORGE D. LUETSCHER. Ph. D. Pp. 160. Price, \$1.00. Published by the author, George School, Pa., 1903.

Although popular interest in our nominating systems has greatly increased in recent years, comparatively little aside from propaganda literature has appeared on the subject. Dahlinger's standard work and that of Dr. Meyer in advocacy of direct primaries are the principal important exceptions. Dr. Luetscher's monograph, although entitled "Political Machinery," in reality deals primarily with the methods of nomination practiced up to 1825. He shows that the nationalizing of parties during Washington's second administration marked the beginning of a revolution in the methods of nomination and political campaigning. "Before this time," he says, "politics and office-holding were confined to the 'well-born,' who constituted the enlightened minority, and, as a consequence, the greatest apathy and indifference prevailed among the individual electors regarding the selection of candidates to office and the exercise of suffrage. . . . The nation was, therefore, inexperienced in democratic organization, when the administrative measures of Hamilton supplied a permanent issue upon which the people took sides." The Republicans being the newer party and having to make the most strenuous efforts for popular favor were naturally the first to adopt new methods. Nearly all the leading newspapers were Federal in sympathy. The wealth of the country and such advantage as came from political patronage at the time were favorable to the older party. Necessarily, therefore, the Republicans devoted their attention to a distinctly popular method of nominating candidates. At first the mass-meeting was the principal method adopted, but as larger numbers of the people were appealed to a more representative form of party organization had to be evolved, and the convention system came into existence. By the nature of the case the New England and Southern States were backward in adopting this new plan. In New England the town candidates were chosen in mass-meeting of the town; the state candidates were chosen by the general legislative caucus, as throughout the rest of the country. In addition to this the New England Federal leaders were opposed to any extensive party organization in peaceful times. They regarded the formation of party committees, conventions, and such machinery, as an emergency measure which might well be adapted to the vicissitudes of a revolution, but hardly permissible after the emergency had passed. In the Southern States the aristocratic cast of politics had led to traditions which forbade any extensive popular agitation. The leaders of thought largely dictated nominations. It was, therefore, in the Middle States, where popular election of county officers had become the tradition, that a county convention was first developed. Such was the efficiency of the early county convention in enlist-

ing the interest of the people that it spread rapidly throughout the more important Middle States and resulted in the permanent defeat of the Federal party in the Middle States by 1802, except in the State of Delaware, where the Federalists adopted the convention system and thereby maintained their hold on the people. It is Dr. Luetscher's aim to show that the combat between the Federal and Republican parties was more than a conflict of ideas and measures,—it was a difference in political machinery. Had the Federalists accepted Hamilton's suggestion and adopted a thorough-going popular propaganda for their principles, the author implies that they might have held the attention and support of the people as against the opposition. This standpoint differs from the conventional and accepted view regarding the two parties. Emphasis has heretofore been placed almost exclusively upon the party programs of the time and on the traditional, aristocratic leanings of the Federalists. The author does not deny the importance of these factors, but points out that the absence of proper machinery, or rather the unwillingness of the Federal leaders to make use of the perfectly proper methods adopted by their rivals, placed the former in a position of complete helplessness. This weakness of a party, whose leaders had been strongly entrenched in nation, state and city can, by no means, be fully accounted for solely on the ground of a radical change in the ideas of the people.

In the course of his argument the author gives a very interesting discussion of the early limitations on suffrage in the Middle States and has been at considerable pains to collect from the various state archives and from the early files of newspapers a number of conclusions regarding the proportion of the voters to the total population of several of the states. In dwelling upon the mechanism of parties, Dr. Luetscher has necessarily ignored to some extent the conflict of principles during the period treated, but this is incident to any special treatment of a single phase of political growth and the monograph will be found quite helpful in correcting the existing views on our early political parties.

JAMES T. YOUNG.

University of Pennsylvania.

A History of Modern Europe. By MERRICK WHITCOMB, Ph. D. Pp. 360. Price, \$1.10. New York: D. Appleton & Co., 1903.

This volume on the history of modern Europe is one of the Twentieth Century Text-books Series, in which the field of general European history is treated in two volumes, the one on the mediæval period by Professor Munro, the other on the modern period by Professor Whitcomb. Together the two volumes furnish an adequate text for European history from the time of Charles the Great to the present, though they may be satisfactorily used independently of each other. Like its counterpart, the present volume is highly successful in clear and accurate presentation of the subject; the value of the deeper insight into the history of the period which only the specialist's training can give, appears constantly. The style is much above the level of text-book writing. Unfortunately the effect of this is too often sacrificed by the great frequency with which the mechanical devices for teaching are allowed to

break the continuity of the narrative. The text-book of to-day seems to suffer from this undue emphasis upon tables, bibliographical references, source-reviews, etc. From the standpoint of the teacher this may be an advantage, but the student cannot but have his attention dissipated thereby. In justice to the present work, however, it should be said that the helps are, in so far as that is possible, carefully adapted to contribute to the continuity of ideas.

Good judgment is shown in the selection of material, and in the still more difficult task of determining on what to neglect. The chapters on the Renaissance, on Commerce and several of those on the Nineteenth Century will illustrate this. At times, however, too much is neglected and one looks in vain for facts usually considered important. In the section on France in the chapter on the Rise of the Modern Nations, there is no mention of the work of Louis XI. or of the territorial unification, an omission scarcely atoned for by the excellent treatment of the legal phases of the new institutions. The question will also arise whether the statement that the maxims of the legists of the fourteenth century, that "The King's will is law," that "All justice emanates from the King," are the fundamental principles of modern government, will not be misleading to the pupil. Occasionally the desire for detail as to personal history is yielded to, as, for example, the names of Henry VIII's wives with dates, when less than two pages can be spared for the Reformation in England.

The illustrations are numerous and well chosen. They do more than illustrate, for many are taken from contemporary prints or paintings, and therefore serve as primary source-materials. The same can scarcely be said of the so-called source-review appended to each chapter division. Why extracts from Carlyle's "Frederick the Great," Martin's "Popular History of France," McCracken's "Swiss Republic," Fyffe's "Modern Europe," etc., should be thus designated is not readily apparent. The fact that many excellent citations from original sources occur under this head serves only to confuse the essential distinction between primary and secondary authorities.

The general plan of the treatment is distinguished from other text-books that have preceded it in the greater emphasis laid upon contemporary history. Fully one-half of the book is devoted to the period since 1815, a distribution of space which allows a much fuller account of the nineteenth century than is usual in text-books of this size. In this the author is clearly in line with a popular tendency, and many will look upon this as one of the strong features of the book. In lamenting the contraction of the earlier centuries thereby necessitated, Professor Whitcomb expresses the feeling adequately. "Our forefathers," he says, "were content with classical, and often with mythical personages; we have been made to comprehend our Luther and Loyola, our Mirabeau and Napoleon; and our children will have to make room for their Cavour, their Bismarck and their Gladstone. It is a choice of benefits, and there are many substantial reasons why, in the building up of a system of popular education, the present should not be sacrificed to the past."

The maps interspersed throughout the book are good, and well adapted to make clear the political geography treated in the text. At the end is a list of leading events and an index.

W. E. LINGELBACH.

Americans in Process; A Settlement Study. By Residents and Associates of the South End House. Edited by ROBERT A. WOODS. Pp. xii, 389. Price, \$1.50. Boston: Houghton, Mifflin & Co., 1902.

The residents and associates of South End House have completed another valuable settlement study of Boston's crowded districts. "Americans in Process" does for the North and West Ends what the "City Wilderness" did for the South End. Beginning with a brief geographical and historical sketch, showing how the island was transformed into mainland, and the gradual growth of the network of crooked streets which provided sanitary and building problems for future generations to solve, the decadence of old Boston is outlined. The North End lost its aristocratic population in 1775, but the West End prospered as a center of homes until after 1850. First the Irish, then lodging and boarding houses in the West End, and finally an invading host of foreigners drove away the American residents; the North End becoming a city of Italians, Jews, Portuguese and a residue of Irish; the West End, the same with some negroes and a few remaining Americans.

The efforts to improve sanitary and tenement house conditions, the means of livelihood of the various races, their crimes and misdemeanors, and the influence and extent of the two ancient faiths which dominate this region—all receive attention. Political conditions with the Irish in control have a peculiar significance for these districts. The descriptions of the leaders, and their means of maintaining control, are an addition to municipal literature on the subject. The chapter on Life's Amenities—the people in their playtime and holiday garb—is sympathetically written and full of interest. "The Child of the Stranger," also, shows what the public schools are doing for these children. Seventy-five per cent never reach the eighth grade. Half the children who leave the seventh grade in June, do not reappear in September. The girls marry very young and for them correct ideas of life and freedom from superstition are especially needed. Philanthropic agencies are treated under "Community of Interest."

The careful descriptions, successful choice of material and excellent maps give the reader a good idea of this new Boston. They do more, they show the citizens of other cities how much Boston has already done to improve conditions by satisfactory legislation for tenement houses, sanitation and the removal of vicious resorts; by removing sweatshops; and by providing parks, gymnasiums, baths and improved methods in public schools. At the same time the serious obstacles to a true Americanizing process are emphasized with a word of warning that assimilation is a two-edged sword and that the whole community is affected by conditions in the North and West Ends. This is illustrated by the close connection between Dorchester and North End politicians.

The main lines indicated for social progress are: strict laws for the residue of tramps and paupers who congregate in these regions, and for the disabled; every assistance for those with ability to rise, especially an allaying of racial prejudices which hamper the bright young Jew or Italian; and for the majority, the encouragement of all kinds of associations,—trades unions, clubs, neighborhood gatherings,—and above all, industrial training, especially for the children.

Of the people themselves, the negroes present the most serious problem, and they, with the off-scouring of other nationalities, will constitute the slums. The Irish advance in a body, and they have largely left these districts. The North End is becoming the Italian stronghold, the West End will soon be in the possession of Jews. Both races are characterized by a high degree of industry, sobriety and domestic peace. For one the goal of efforts is the simple joys of life; for the other, prosperity.

EMILY FOGG MEADE.

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NOTES

I. MUNICIPAL GOVERNMENT

AMERICAN CITIES

St. Louis.¹—*Street Railway Franchises.* The conditions under which street railway franchises are granted are governed by Article III of the city charter, which gives to the mayor and assembly the power to take all needful steps, in and out of the state, to protect the rights of the city, in any corporation in which the city may have acquired an interest; to have sole power and authority to grant to persons or corporations the right to construct railways in the city, subject to the right to amend, alter or repeal any such grant in whole or in part, and to regulate and control the same, as to their fares, hours and frequency of trips, and the repair of their tracks, and the kind of their rails and vehicles; but every right so granted shall cease, unless the work of construction shall be begun within one year from the granting of the right, and be continued to completion with all reasonable practical speed, and it shall be the cause of forfeiture of the rights and privileges derived from the city, of any railroad company operating its road only within this city, which shall allow any person to ride or travel on it gratuitously or for less than usual price of fare, unless such person be an officer or employee of such company.

The number of miles of lines in operation and the payments into the city treasury during the last ten years have been as follows:

Year ending in Month of April	Number of Miles	Amount of Payments
1894	296.9	\$23,071 11
1895	300.8	29,587 10
1896	283.22	48,514 19
1897	299.31	69,817 40
1898	300.04	51,808 52
1899	300.13	81,181 30
1900	317.75	75,780 97
1901	336.09	78,861 55
1902	329.86	98,053 79
1903	327.86	105,857 78

The fare charged on all lines is five cents. The street railway companies of St. Louis are controlled by two corporations, the St. Louis Transit Company and the St. Louis and Suburban Railway Company. The companies give transfers over their own lines, but there is no interchange system of transfers between the two companies.

¹ Communication of James G. McConkey, Secretary to the Mayor of St. Louis, Mo.

Buffalo.²—*Railway Franchises.* Street railway franchises in Buffalo are granted under the following provision of the revised city charter, to-wit:

"The common council, by a vote of two-thirds of all the members elected to each board, may permit the track of any steam railroad or railroad operated by any other motive power and used for purposes other than the transportation of passengers only, to be laid in, along or across any street or public ground, except park and park approaches. Nothing in this section shall prevent the common council, by a vote of two-thirds of all the members elected to each board, from permitting the track of a street railroad used solely for the transportation of passengers within the city, to be laid in, along or across any street or public ground, except parks or park approaches, subject to the provisions of any law then existing in relation thereto."

Payments into the treasury of the city of Buffalo by street railways were made as follows:

January 1, 1892, to June 30, 1892.....	\$15,072 06
July 1, 1892, to June 30, 1893.....	27,445 06
July 1, 1893, to June 30, 1894.....	29,962 14
July 1, 1894, to June 30, 1895.....	39,615 07
July 1, 1895, to June 30, 1896.....	45,613 74
July 1, 1896, to June 30, 1897.....	45,294 68
July 1, 1897, to June 30, 1898.....	48,219 62
July 1, 1898, to June 30, 1899.....	48,593 46
July 1, 1899, to June 30, 1900.....	51,573 80
July 1, 1900, to June 30, 1901.....	76,255 54
July 1, 1901, to June 30, 1902.....	95,760 04

The length of the International Traction Company's railroad lines within the city limits is 194 miles, and the rates of fare charged are five cents for an adult and three cents for a child between five and twelve years of age, children under five years being carried free.

Various companies constituting the International Traction Company give transfers over all lines for one fare.

Minneapolis.³—*Civic Improvement Associations.* Minneapolis has several societies interested in municipal improvements. Most of these organizations are local outdoor improvement associations which confine their attention to well-defined sections of the city,—their own neighborhoods. Among the oldest and most active of these is the Portland Avenue Improvement Association. It has been in existence for upwards of fifteen years and has exerted a marked influence in securing improvements in streets, lawns and parkways. It has been given the street-sprinkling contract in its vicinity by the city for some years in competition with the regular contractors. After paying for work at standard wages and with an eight-hour day, the society has saved enough from the allowance to carry on important improvement work. Among other active local associations of this kind may be men-

² Communication of Frank W. Hinckley, Secretary to the Mayor, Buffalo.

³ Communication of William A. Schafer, University of Minnesota, Minneapolis.

tioned the improvement associations in Sunny Side, Oak Park, Linden Hill and Prospect Park.

Besides the local associations there is one for the city as a whole, the Minneapolis Improvement League, of which Professor W. W. Folwell, of the University of Minnesota, is president, and Mrs. C. W. Keyes is secretary. This organization has been in existence since 1892. A few months ago an effort was made to get all the local societies to co-operate through the league by sending delegates to the regular monthly meetings of that organization. That plan has since been followed. The league has always worked in close harmony with the Park Board, in whose rooms the regular monthly meetings are held. During the last few years the league has awakened a very general interest among people of moderate incomes in the care of lawns, back yards and streets, also among school children in improvement and care of playgrounds and school lawns. This was done through a series of prizes for the best effects produced and through suggestions made in the public press of what might be accomplished with a little effort and attention.

Another important organization interested in municipal improvements of all kinds is the Minneapolis Commercial Club. The public affairs committee of that club, of which Wallace G. Nye is secretary, takes an active interest in all kinds of civic improvements and co-operates with the Improvement League in furthering the work of adding to the city's outdoor attractions.

New Jersey State Civic Federation.⁴—This organization is made up of various civic and municipal leagues formed in 1902, and including at the present writing seventeen clubs which bear the following:

Board of Trade, Asbury Park, N. J.; Civic Club of Newark; City Improvement Society, New Brunswick, N. J.; Civic Association of Nutley; Town Improvement Association of Montclair; Taxpayers' Association, Collingswood, N. J.; West End Improvement Association, Irvington, N. J.; Village Improvement Association, Cranford, N. J.; Vailsburgh Social Club; Civics Club of the Oranges; Citizens' Association, Morristown, N. J.; Second Ward Improvement Association, Irvington, N. J.; Board of Trade, Hammononton, N. J.; Town Improvement Society, Summit, N. J.; The Good Government Club, Arlington, N. J.; Civic Sanitation Association, Orange, N. J.; Orange Political Study Club.

The Federation originated in the recognition of the fact that there were certain questions which lay naturally beyond the province and power of any one civic organization, questions involving more than one municipality, such as matters of transportation, taxation, sewage disposal, the transmission of light and power, and questions of a similar nature.

The responses to the call for co-operation were very favorable, and a number of organizations joined in the formation of a state civic federation. Eighteen organizations were represented at the first meeting, which was held in Orange in the latter part of 1902. Matters were presently put in such shape as to make it possible to call a general conference lasting for two days. A number of speakers were present from various localities and an interesting

⁴ Communication of Adolph Roeder, President of the Federation, East Orange, N. J.

meeting was the result. Since its formation the State Civic Federation has received into membership a number of other organizations, and its request to mayors and executives of municipalities that they join in membership with the organization has met with favorable reception.

The general plan of the organization is to ask the co-operation of each one of its constituents in considering whatever questions may arise, preparing a digest of their considerations, and submitting that as a report to one of the meetings of the Executive Board or to the annual session of the organization.

Thus far the State Civic Federation has accomplished the following: It has created a series of committees on the following general lines: Water Supply Franchises, Taxation, Liquor Traffic, Legislative Measures, Dependents, Delinquents and Municipal Arts; it has received an able report from the first two committees on Water Supply and on Franchises. It has reason to believe that several suggestions made in the latter report have been helpful in two or three municipalities in New Jersey, in causing discussion of franchises which otherwise would have been granted without question; it has produced an interchange of thought and of opinion among its constituents which has been exceedingly useful and helpful. It took a prominent part in calling the attention of the voters to various favorable and unfavorable aspects of the special election for the purpose of adopting a constitutional amendment in reference to the judiciary of the state. Through its activity, as manifested in the press of the state, it was found that the method of procedure was illogical and that desirable as the proposed amendments may have been the method of securing them by election was one which could not be carried through. The amendments were, of course, lost, owing to the fact that no one, from the election officers to the voters, had any intelligent grasp of the directions for voting. The Federation tried to render its services to its constituents and to the state by simply calling attention distinctly to the various pros and cons connected with constitutional amendment and the method of securing it, but ventured no opinions whatever on the relative material of the various sections of the amendment, since it left that discussion to the legal fraternity who were better able to carry it forward.

FOREIGN CITIES

England.—*Sanitation of Congested Areas.*⁵ At the annual conference of the Royal Institute of Public Health, held at Liverpool, on the sixteenth of July, 1903, considerable attention was paid to the question of rehousing the poor on the outskirts of the larger cities.

In the Section on Sanitation of Congested Areas, Mr. Austin Taylor, M. P., Liverpool, presided, and said that they were only on the threshold of an enormous slum problem—a monster whose outward aspect was one of bricks and mortar, but in the interior dark with the tragic fate of men, women, and especially children, whose dreary mechanical life was only ended by death.

⁵ This account of the conference is taken from a report made to the Department of State by the American Consul at Birmingham, Hon. Marshal Halstead.

It was useless to cure plague spots in the center of the cities and to let the outlying belt grow up in a haphazard fashion. He suggested that municipalities should be allowed to buy land three miles outside their boundaries, where streets could be laid out on model lines, trees preserved, and a general style of architecture insisted upon. There must be expansion to cure congestion, and for that purpose he also advocated the compulsory acquirement of suitable areas on moderate terms, the reduction of interest on public loans for demolition and rehousing, and rating of vacant sites on their capital value, by which model dwellings could be erected at not greater rent than one shilling (24 cents) per room weekly.

Dr. James Niven, medical officer for Manchester, in a paper on "Rehousing the Poor on the Outskirts of Large Cities," said it was generally recognized an effort should be made by the sanitary authorities to house as many as possible of the poorer working-class families on the outlying parts of these districts, under the improved conditions of light, air, space, and construction of dwellings. So far, efforts in this direction had been the result of private enterprise and confined to persons above the laboring classes. A great impulse had already been given to the movement outward by the development of electric trams. With a view to housing persons displaced by sanitary and other improvements, the Manchester corporation had purchased a considerable estate in the northern limit, which is well provided with transportation facilities. A committee had just begun the development of this estate by the construction of a main road and were erecting on and adjoining this road dwellings for artisans not of the poorest class, and were taking other steps to form a new colony. Powers were being sought to enable the Manchester corporation to provide shops, schools, churches and other institutions, but a complete scheme had not yet been framed. Meantime, the Manchester corporation were endeavoring to provide model dwellings of various types which would assist in improving the future provision of houses by private enterprise. The corporation had bought Plackley estate of 237 acres at £150 (\$729.97) per acre and were erecting eighty dwellings on it at moderate rents; but a portion of the estate would not be built on, being intended for allotments. In the center of Manchester eight unsanitary areas had been dealt with, of which three were to be left open spaces, while on the other side provision had been made for 2,729 people in lieu of 3,127 displaced. Apart from the humanitarian aspect of the question, it was good finance for municipalities to remove as many people as possible from the centers of the cities to a more wholesome atmosphere and all-around better conditions of the outskirts.

Mexico.—Street Railways. The transition from horse to electric traction is still in its infancy in Mexico. In the capital city of the republic, it is true, but few horse-car lines remain, but in the larger towns of the states the old system of animal traction still prevails. It is an interesting fact that in granting franchises to street railway companies, the public authorities have very generally kept in view the cost of the service to the public rather than the return to the city treasury. As a result street railway fares in Mexico, especially in the smaller towns, are lower than in any other part of the world. Thus in Guadalajara (State of Jalisco), which may be regarded

as one of the typical towns of the second magnitude (population about 102,000), the fares within the city limits are three cents Mexican silver, which is equivalent to about one and one-third cents in American money. The fares on the suburban lines range from three to ten cents Mexican silver (one and one-third to four and one-third cents American money), in the second-class cars, according to the distance traveled. In the first-class cars on suburban lines the fares range from five to sixteen cents Mexican silver (two and one-fifth to six and nine-tenth cents American money). It is true that in most cases long-distance travel is more expensive in Mexico than in the United States, but it must always be kept in mind that the bulk of the traffic is on the lines within the city limits.

The next few years are likely to witness marked changes in the street railway systems of the larger towns. Franchises for change of motive power to electricity have been granted very generally. The utilization of the abundant water power which exists in many parts of the republic, for the production of electricity, has contributed much towards hastening this movement.

Water Supply and Sanitation of Municipalities.—One of the most striking features of recent municipal development in Mexico is the care and attention that is being given to the improvement of the water supply of the larger cities of the republic. Where the resources of the municipalities have not been sufficient to meet the expense, the state governments have stepped in to aid in the work. In two notable instances, Cuernavaca in the State of Morelos, and Guadalajara in the State of Jalisco, an entirely new water system has been constructed at the expense of the state and an arrangement entered into with the respective municipalities to pay the interest and amortization charges of the debt thus incurred.

Concurrent with the improvement of the water supply, and largely as a result of it, there has been a marked betterment in the sanitary condition of the towns. The cleanliness of most of the cities of the republic is a matter of surprise to every traveler. Within recent years the sanitary inspection of dwelling houses has been thoroughly organized, usually directed and controlled by a state board of health, with agents in every town and district. This board also exercises close supervision over food products, a matter of special importance in a country where the low rate of wages adds to the temptation to adulteration of food products in order to bring prices within the range of the consumer.

Police System.—It requires some time for the stranger to acquaint himself with the intricacies of the police system of Mexico. In addition to the municipal police of the towns, there is a state constabulary which usually does duty in the country districts, but may also be called upon to do service in the towns where the local police is unable to handle the situation. Finally there are the federal troops distributed throughout the country in those sections where their presence is likely to do most good.

The states are divided into districts with an executive head known as the *jefe politico* appointed by the governor. The *jefe politico* is responsible for the good order of the district placed under his authority. He has charge

of the local police, may call upon the state constabulary, and in case of emergency may apply to the commander of the federal troops for aid.

The excellent order that now prevails throughout most of the states of the Mexican Republic, the very general respect for life and property, are due, in the main, to the control of the state governments over the police system. To have handed over to the town authorities the management of the police force would have resulted in personal and class discriminations and would have given rise to local conflicts. At present the management of the local and state police force is conducted with exclusive view to the maintenance of order and the protection of property rights. That this service is being performed is attested by the increasing swiftness with which crime is detected and punished.

Municipal Administration.—Although Mexico is a federal republic, the system of municipal government is practically uniform throughout the several states. In this branch of the public administration, more than in any other, the influence of the Spanish system is to be found. In fact, the form of local government, as introduced by Cortez, has undergone but little change. The Mexican *ayuntamiento* does not differ materially from its Spanish prototype. Every town, whether large or small, has its council elected by what is known as the "indirect" or "second degree" system. The voters choose electors who, in turn, select the members of the council. As a matter of fact this system of indirect election gives to the state authorities considerable influence in determining who should be selected.

The powers of the council are mainly deliberative: the execution of its decisions being usually entrusted to the *jefe político* of the municipal district—a state officer appointed by the governor and responsible to him alone. In some states, such as Morelos, the *jefe político* is *ex officio* president of the municipal council, in others, such as Jalisco, he is purely executive officer.

It is evident that with the executive head of each municipality appointed by the governor, the state authorities are able to maintain control over local affairs. This control is further strengthened by the fact that in all the states the budget of every town must be submitted to the central government for approval before becoming effective, and in a majority of the states, all important decisions of the municipal council relating to local affairs must receive the approval of the governor.

Another important factor tending to increase the influence of the state governments in local affairs, is the small, in fact almost insignificant, income of the towns. In the main, they are dependent upon the proceeds of the municipal markets, slaughter-houses, license fees and a few local excises. Whenever, therefore, an important public work is to be undertaken, the state government is usually appealed to. The water supply of most of the larger towns, outside the City of Mexico, has been planned and constructed at the expense of the respective state governments. The debt thus incurred is usually charged against the municipality and the state reserves from the proceeds of water rents a percentage sufficient to pay the interest and amortization charges.

As a final and culminating factor in the centralization of local affairs,

some of the states, such as Jalisco, have taken over the entire public school and poor relief system, administering them directly through state officials, a director of public instruction and a director of charities. The entire expense for these services is borne by the state treasury. The adoption of this plan was made necessary by reason of the absence of a well-defined local sentiment to support these services.

Thus the traditions of Spanish and French administrative centralization have been developed in Mexico to their logical consequences. Although with each change of political system, there has been some modification of the form of local government, the policy of state control over local affairs has remained practically unchanged. Local self-government is unknown in Mexico, and there seems to be no immediate prospect of change in the direction of a more decentralized system.

In spite of the absence of local control over municipal affairs, the Mexican towns are by no means devoid of local spirit, but it is social rather than civic. The town represents a center for social intercourse and recreation rather than a corporation for the performance of public services. As a matter of fact, the main function of the town authorities seems to be to supply public amusement—such as concerts, theaters, etc. In towns of three and four thousand inhabitants the authorities will not fail to supply a public concert at least twice a week and in some places every evening. The larger cities own at least one theater and make every effort to supply the inhabitants with drama, comedy and operetta at the lowest possible prices.

This policy has created a feeling of town loyalty which is at first surprising, but is to be explained by the fact that municipal spirit in its narrower sense of attachment to the town is aroused by the recreations and amusements offered by the town to a far greater degree than by the efficiency of the more fundamental services, such as police system and water supply.

Municipal Theaters.—The authorities of the City of Mexico have recently adopted a plan intended to secure to the masses the presentation of standard dramas and comedies at popular prices. For this purpose the municipality has leased one of the leading theaters and has advertised for sealed proposals from theatrical managers. The theater is to be given rent free on condition that a certain number of plays be presented at greatly reduced prices. The government has two objects in view, first, to diminish the attraction of the dram shops and, secondly, to counteract the influence of the lower class of variety theaters. If the experiment proves successful it is likely to result in a further extension of the plan so as to include a municipal theater, which shall have as its main purpose the furnishing of elevating amusements to the people.

II. DEPARTMENT OF PHILANTHROPY, CHARITIES AND SOCIAL PROBLEMS

The New Jersey State Board of Children's Guardians.—In the year 1897, the governor of New Jersey appointed a commission to investigate the condition of defective, delinquent and dependent children in the state. This commission worked for two years on the problem. After making an investigation and reporting the result to the legislature, the commission looked about to find a remedy for the existing evils. Visits were made to leading child-helping societies all over the country and the different state systems for caring for dependent children were studied. The placing-out system seemed to give the best results.

The commission recommended establishing a State Board of Children's Guardians, which should adopt the placing-out system of caring for its wards and on March 24, 1899, the legislature passed a bill authorizing the appointment of such a board. The board is composed of seven members, two of whom are Roman Catholic and two of whom are women. Members hold office for six years—two members being appointed at the end of every two years. It will be seen that no governor can appoint more than two members, except in cases of death or resignation. They receive no compensation for their services. The board becomes the legal guardian of every child that is made a public charge, such guardianship superseding any rights of the parents so far as its custody is concerned.

A thorough investigation of the circumstances of commitment is made in each case. If no worthy parent or relative can be found the child is placed in an approved family of the same religious faith as its parents, as required by law. The law also stipulates that each child shall be visited quarterly. All children placed out are obliged to attend school according to the laws of the state. To be sure that they do, monthly reports are received from school teachers, showing attendance, standing in studies, the condition of clothes and physical condition. Quarterly reports of attendance are also received from the pastor or priest, in regard to the children's religious instruction.

A great many defective, crippled and sickly children come into the custody of the board. Those physically disabled are placed in the care of a physician, from whom they receive the necessary treatment. The mentally defective children are placed in the proper state institutions.

Children are placed in families either at board, free of charge, or for adoption. The price paid for board is \$1.50 per week and, in addition to this, clothing and medical attendance are provided. Families that take children free are required to board, furnish clothing and medical attendance. Children for adoption are placed on trial for at least six months, after which time, if everything is satisfactory to both parties, the board gives its consent to the adoption, which can be secured through the Orphans' Court. The board has

the right at any time to surrender a child to parents, if this will be for the best interest of the child.

Each year the legislature appropriates a sum of money for the administration of the work. This amount is used for salaries of agents, office expenses and travel in placing, supervising and transferring children. The expense of board, clothing and medical attendance for children placed out is borne by the community from which the child was committed.

Up to October 1, 1903, 1,517 children have come into the care of the board. Of this number, 305 are in boarding homes, 205 in free homes and the remainder, with the exception of twenty in almshouses, have been discharged from custody to parents or relatives.

The placing-out scheme has worked admirably and the benefits of a family life over the artificial life of an institution are marked. The natural family life prepares the child to take his place in the world and compete with others who have had normal home training.¹

Report of Children's Institutions Department, Boston.—An interesting and instructive report has been issued by the Children's Institutions Department of the City of Boston for 1902-03. The delinquent and dependent children becoming public charges in Boston are provided for in one of three ways. Wayward boys committed through the courts are sent to the House of Reformation, maintained by the city on Rainsford Island. Here the youthful offenders are given schooling, taught some useful trade and brought under wholesome moral influences. To the Truant School are sent those children who have become so unmanageable to parents and teachers that it is impossible to keep them in school. This institution, on the cottage plan, aims to combine, with its educational advantage, a good home training and discipline, which most of the children sadly need. The third class dealt with are the dependent and neglected, and for these has been developed a careful placing-out system. The children are watchfully supervised in families, both by regular agents from the city office and by volunteer visitors, who make sure that the children are attending school and church and being kindly treated. Those at board are visited every six weeks and those in free homes every three months. Infants and delicate children are visited monthly by a trained nurse. Mentally defective children are placed in the State Institution for Feeble Minded. At the close of the year there were 391 children in boarding homes and 308 indentured in free homes. The city is able to find country homes for crippled and deformed children by paying higher board, and the effect of healthful surroundings is so excellent that many in time become self-supporting. In glancing at the report, one is impressed by the care taken to ascertain in each case the physical condition of the child and to provide for its necessities. When boys from the House of Reformation leave that institution, they are put upon probation for a time, either in their own homes or at work. Of all those thus on probation at the end of the year, over 54 per cent were doing well and over 24 per cent were doing fairly. A number of boys and girls, former wards of the

¹ Contributed by Seymour H. Stone, Superintendent.

city, have homes of their own and are filling positions of trust and responsibility. Several are graduates of colleges and academies.

Prevention of Cruelty to Children.—A pamphlet entitled "Wie schützen wir die Kinder von Mishandlung und Verbrechen," and published in Vienna, contains an interesting account of the agitation to establish an Austrian Society for the Prevention of Cruelty to Children. The author is Fräulein Lydia von Wolfring, who, through her reading and observation, became aroused to the widespread suffering of children from abusive and vicious parents, and to the lack of knowledge of the prevalence of this evil on the part of the general public. Miss von Wolfring traveled for a number of months in Italy, Switzerland, France and Austria, investigating court statistics as well as many individual cases of cruelty to children. As a result of her travels she became convinced that vigorous effort should everywhere be made to search out cases of cruelty, arrest and punish the parents and rescue the children. She admits there are many difficulties in the way, such as the strong instinctive feeling on the part of the public that parents have inalienable rights to their children, and the difficulty of presenting absolute evidence in court. She says, however, in no uncertain language, that where parents are degenerate, "modern society may, nay *must*, step between them and their victim." She points out that not to protect a child from the abuse of parents and the evils of a bad home, is only later to have an additional criminal to provide for. She draws plans for an organization for the prevention of cruelty, which shall have headquarters in Vienna with branches all over Austria. Each branch shall have a corps of workers composed of well-known reliable citizens, both men and women, who are to search out all cases of cruelty and report them to the central executive committee at Vienna. Miss von Wolfring speaks of the good work being done in other countries; notably that by the National Society for the Prevention of Cruelty to Children in England. During fourteen years this society has handled 281,000 children. Of these, 198,101 were neglected, 45,756 were brutally injured and 8,557 were victims of criminal assault. In 1,423 cases death resulted. In the year 1899 this society rescued 68,000 children, but in 204 cases rescue came too late. The greatest work of the English society is, perhaps, the change it has brought about in the status of the child before the law. The public has acquired an increased sense of responsibility towards the neglected and abused child and laws for its protection have been established and enforced. Miss von Wolfring points out that drunkenness is a great factor in cruelty to children—as is also infant insurance. The English society handled in five years 19,000 children, whose death would have brought the parents 95,000 pounds sterling. She speaks of the good work done by the New York society, and closes with the outline of a plan for establishing an agricultural colony on the cottage or family system, for such children as must be taken from parents, and advocates as near an approach to family life as possible.

At a meeting of the *Rhode Island Society for the Prevention of Cruelty to Children*, Hon. Elbridge T. Gerry said in substance: The object of this society is the rescue of the child, not its reformation. The child is the client.

The speaker told of the origin of the parent society, in the United States, nearly thirty years ago. The case was that of a little girl in New York who was beaten and maltreated. Attention of Henry Bergh, the philanthropist, was called to this, and the woman who abused the child was punished. After this, complaints became so numerous that Mr. Bergh was obliged to organize a society to take the work in hand. The New York Society for the Prevention of Cruelty to Children was the first of its kind in the world, but there are now 314 societies in the United States and Canada, either combining with those for the prevention of cruelty to animals, as humane societies, or existing by their specific title.

The great success of the society and its power, depends upon its corporate existence. The three-fold cord, consisting of the legal right to appear and prosecute and be heard, the corporate right to apply the donations of the charitable, and the legacies of the dead, for that purpose, and the earnest zeal of private individuals who give their time, their talents and their money to carry out the views of the society, is not easily broken. The question has been asked, "Why is it that the regularly appointed officers of the law cannot be entrusted with the enforcement of this, as well as other branches of the criminal laws?" The answer is very simple. They are necessarily occupied with the protection of the entire community and their attention is given very properly to the duties of preserving the peace of the public, and in arresting and prosecuting cases of felony.

Governor Garvin stated that originally the entire care and authority over a child rested with the parents, and perhaps this was better so. Even now there are some people who believe that the sole government should be left with parents, but the state now interferes to protect children against immoral and physical abuses.

The report of the society showed that it is doing a very effective work. Children are taken and cared for, and given a home until they are of quite mature age. Most of them are placed, not in institutions, but in private homes, a great and undoubted advantage, if these homes are what they should be and of course the officers of the society know that they are proper persons. The work is necessary and promising. As Mr. Gerry said: "A single child saved makes the expenditure of money worth while. Knowing that the work is bringing forth good, the society should be given the support of the public in the execution of its noble work."

Home Life versus Institution Life has been discussed very largely during the last six months by the daily papers of the country. There is a general desire for information in regard to home placing. In an article which recently appeared in the *New York American* the following statements were made:

"A little girl, fourteen years old, set fire to a barn in Poughkeepsie, in New York State. She is locked up as a criminal. The child had spent her life in an asylum for orphans until very recently, when she was taken as a servant by Mrs. ——. The child's photograph shows an average good face. She is kind-hearted enough, as is shown in the fact that she drove all the chickens out of the barn before setting fire to it; she said she could not bear to see them burn up. She confessed willingly that she set fire to the

barn because she wanted to have the excitement of seeing the fire engines come. This young girl will now be returned to her orphan asylum. She will go back to a scheme of life which is largely the cause of her disordered cravings, to a kind of life that ruins with its dull routine hundreds of thousands of children.

"In a big asylum, no matter how good the intentions of the management or how kind the attendants, the lives of the unfortunate children are dull beyond belief. Everything is routine, common-place, dead-level monotony. They sleep all in uniform little beds side by side, they get up, go to bed, eat, walk—do everything in one monotonous routine. And worst of all, nothing is left to their own initiative, to their own imaginations. All that makes up the happiness of an ordinary child is unknown to these poor children whom unworthy parentage or bad social conditions force into the asylums. They do not know the individual care and affection of a mother and a father. They lack the excitement that other little girls find in their dolls, or that other little boys find in dogs and rabbits and enterprises of all kinds. Within there is a craving for the amusements and interests that ought to make up the life of a child. It is no wonder that, occasionally, when suddenly freed from this horrible monotony, poor asylum children go to extremes. Then they are called criminals and returned to their prison, whereas in reality the real criminal is the fate that condemns them to a dull prison life.

"Abandoned children or others that find their way to the asylums are looked upon, although unjustly, as necessarily inferior human beings. If they were inferior it would certainly be a sacred duty, for their sake and for the sake of others, to lift them up as far as possible. This can only be done by endeavoring to individualize their lives, to give them interests, industrial and others, to bring them in contact with the children outside of the asylums. They should not be dressed in monotonous uniforms. They should all be sent to the regular open public schools. In this latter respect some of the Jewish institutions show exceptional intelligence. They send the children from their asylums to the regular public schools. It is no wonder that these children from the Jewish asylums outclass in success, subsequently, the children from institutions which condemn them to dull inside routine.

"If the boy of the asylum could go to the public school each day, mixing with other boys for several hours, going through the city street sharing the general life of the country, he would certainly be better able to compete with the world when released from his charitable prison. It will probably be said that some of the boys might run away. They would not run far; the world is none too ready to take care of runaway asylum children. Even if a few did escape from the asylum life, no great harm would be done, and much good would be done by improvement of the others.

"We build now imposing asylums for children, great structures of brick and stone, with high stone walls all around them. And many of us look at these institutions with admiration, imagining them to be beneficial. They are beneficial in one way, as they relieve the outside world of its burden and responsibility. But every one of them is a dismal prison house in which human souls are crushed, kept down and deprived of future possibilities by

deadly monotony. No wonder that the five children of Jean Jacques Rousseau, who went to the asylum for abandoned children, were never heard of afterward. Rousseau himself would never have been heard of had his youth been passed in such an asylum, instead of being passed in conversation with his father and in the free study of the world, although often under the most hideous circumstances."

Separate Courts for Juvenile and Probation Officers in Rhode Island.—The State of Rhode Island, in 1898, enacted a law requiring its criminal courts to hold separate sessions for the trial of juvenile offenders. This act prohibited the confinement of any child under thirteen years of age in any police station with adult offenders, or the commitment of any such child to prison for any offence not punishable by death or imprisonment for life. It was ordered, that at every trial of a child upon a criminal charge, there should be present an agent either of the Board of State Charities and Correction, or of the Society for the Prevention of Cruelty to Children, or of the St. Vincent de Paul Society; and the court might commit a child under thirteen to the custody of either of these three.

In 1899, another step was taken, in the passage of an act empowering the Board of Charities and Correction to appoint probation officers (of whom one must be a woman), removable at will, and authorizing the courts to place both juvenile and adult offenders under the control of these officers. A proviso was attached to the act, that no compensation, except for expenses, should be paid to any official of the state, or of any society, in receipt of a salary. The state board has power to discharge inmates of the State Reform School, on probation, to live at home or in families.

Massachusetts Child Labor Law.—As the result of twenty-five years of effort in Massachusetts, a stringent law has been passed thoroughly enforcing and practically eliminating child labor for wages in the state. In the early history of this class of legislation the objection and obstruction came chiefly from parents, who were more eager to increase the family income by a few dollars than to safeguard their children. Twenty years ago cases were known of children eight years old working sixty-six hours a week in factories. Such a condition could not now be found in the state. Wise legislation has been enacted substantially increasing the age limit, so that no child under fourteen shall be employed in any factory. The great textile and other industries are conducted with marked respect for the law, and "not only are the state inspectors of factories given the duty of seeing that its provisions are enforced, but the local school officers must also see that the provisions of the statute as to compulsory education are enforced as well. The two statutes and two sets of officers supplement one another."

Commission to Report on a State Reformatory in Connecticut.—The commission appointed by Governor Chamberlain, of Connecticut, whose duty it will be to investigate the needs for the establishment of a state reformatory, is meeting with unqualified praise from the principal papers in Connecticut. The chairman of the commission is Warden Garvin of the State Prison. The other members are Thomas D. Wells, of Hartford, editor of the *Hartford Post*, and for some years a member of the Prison Board of

Directors; Senator Cornelius Tracy, who is largely responsible for the act, which created the commission; Dr. William Ford, a member of the House of Representatives and editor of the *New Haven Register*.

The commission was appointed under a very liberal act, by which they are directed to examine all laws, conditions and customs pertaining to commitments to jails and the prisons of the state and to recommend such changes as are necessary to aid in the making of a reformatory. The commission is directed to select a site for the reformatory and to prepare plans and specifications. They are given latitude in regard to the study of the general question. The sum of fifty thousand dollars is put at their disposal.

The New Penitentiary Near Paris.—At Fresnes, about eight miles from Paris (France), a new penitentiary has been opened, the largest in the world, accommodating two thousand inmates. The buildings with the gardens cover half a square mile, the situation is beautiful and healthy. The houses have large windows and plenty of them, admitting plenty of fresh air and sunshine. A large number of shower baths are scattered throughout the buildings; the prisoners' food is abundant. They go to school and are allowed to work at their trades, and with the money earned to purchase any luxury they may select but tobacco. In fact, everything possible is done to develop the better side of their natures. The prisoners are kept separate, holding no communication with each other, so that they cannot recognize each other when released.

The Annual Meeting of the Connecticut State Prison Association elected Hon. Francis Wayland president for the twenty-seventh time. Among the names of the officers are Professor Henry W. Farnam, Elijah J. Steele, General Edward Harland and others. Their report shows 318 prisoners assisted by the association, in addition to this thirty-one from the jails were aided. The prisoners were given clothing and transportation to their homes, or to places where they could be employed, tools to enable them to work at their trades, and many were furnished board while employment was being secured for them. Great emphasis was laid by Secretary Taylor, in his report, upon the need of adapting the present system of sentencing to conform with the Indeterminate Sentence Law. As it is now, many prisoners come into prison with sentences so arranged that it is impossible to apply the principles of indeterminate sentence. In the case of a sentence of not less than ten nor more than twelve years under the operation of the Commutation Law the prisoner by good conduct earns 930 days and receives his discharge without parole before the minimum part of his sentence is reached. In cases of this kind it is not possible to apply the parole test. The same holds in sentences of not less than one year.

The probation system of the state is under the direction of the association, and up to September 30 they had appointed thirty-seven probation officers, two of them women. These officers have had, as yet, only two months' experience in the service. A probation committee from the association was appointed, to whom all questions concerning the probation service is to be referred.

The Whipping-Post in Delaware.—Two white and twelve black prisoners

were publicly whipped in the yard of the county workhouse of Wilmington on September 26, after which they were compelled to stand for an hour in the pillory, and were then "taken back to the workhouse to serve ten sentences of six years each." One wonders what the subsequent process of reformation in the workhouse will be, and whether the authorities have any theory of punishment or of reformation? What are the results of their strenuous method of correction? Does it, in fact, act as a deterrent? Is crime less prevalent in Delaware than in other states which have outgrown the whipping-post era of progressiveness? Is recidivism less frequent in Delaware than elsewhere? Are crimes of violence fewer proportionately than in other states? Or is there anything peculiar to the citizens of Delaware which necessitates this survival of mediæval methods of punishment? The questions raised above are thoroughly practical and they interest all who are concerned in the treatment of criminals.

"Jewish Charity."—In October appeared the first number of *Jewish Charity*, a monthly review published by the United Hebrew Charities of New York City, of which Dr. Lee K. Frankel is one of the editors. In an interesting opening article the editors point out the need of hearty co-operation among philanthropic Jews, which it is hoped the new publication will stimulate. Jewish charitable effort has its own field distinct from other philanthropic enterprises; first, because the needy Jew turns more readily to his brethren in faith, and, second, because the Jews of the upper classes have tacitly determined not to permit their poor to become objects of state charity. But, despite the fact that the Jews constitute one-fifth of the population of Greater New York, hitherto "all theoretic discussion of Jewish pauperism from anything like a scientific standpoint has emanated from persons not of the Jewish race." It is the editors' hope that with the publication of *Jewish Charity* the Jews themselves will be influenced to give a closer attention to the sociological conditions of their poor. It is the purpose of the new review to keep track of publications on Jewish charitable topics and of new men in Jewish charitable institutions and to record the work and progress of the United Hebrew Charities. This number contains also an article by Dr. Frankel on "Co-operation on the East Side," giving the outline of a proposed plan by which there shall be a number of district committees on the East Side, composed of intelligent residents of that section, to assist the officers of the United Hebrew Charities to care for the poor. Maurice Fishberg has an article on consumption, the increase of which, among Jews, he attributes to overcrowding in tenements and sweatshops. Attention is called in this number to the new Winter School of Philanthropy in New York, and an outline of the proposed course is given. All interested in philanthropic work and in the intelligent discussion of its results and its needs will welcome *Jewish Charity* and wish it success.

Graft.—Several very interesting articles have appeared in various magazines of late exposing corruption in the administration of the municipal affairs of certain American cities. None of them have attempted to show the historical origin of this corruption. A treatise on the history of graft would form a valuable addition to current sociological literature, but it

would be a task of enormous difficulty to gather and arrange the materials for it.

Political influence is the result of the possession of power to influence political action. In a democracy, it is conditioned upon the ability to deliver votes at a popular election. Its extent is measured by the number of votes controlled, whether in a state, county, city, ward or precinct; just as financial power depends upon pecuniary resources and credit.

Many considerations affect the voter: his principles, prejudices, sentiments; and above all, his interests. The average man votes for the measures and the men whose victory will, he thinks, add to his worldly wealth,* or insure him official position of some sort. No man knows the truth of this observation so well as the trained politician, with the possible exception of the professional corruptionist. Between these two there is apt to be a mutual understanding, if not a formal alliance.

There are, therefore, two principal methods of influencing elections: the purchase of votes, by the direct use of money, and the holding out to the voter the hope of office, in the event of political success. The governor of one of the largest and most powerful states in the Union once said to the writer, in all candor and sincerity, that, from his point of view, the practical objection to civil service reform is that it deprives the party of one of these resources, and that its tendency, therefore, is to place practical politics on the lower level of actual bribery.

In the conduct of a political campaign, money is a necessity, for legitimate uses, in order to pay the cost of printing and of public meetings, and of making preliminary canvasses and "getting out the vote." But a large portion of the funds raised ostensibly for these purposes is in fact paid to voters. Where such funds are swelled by means of a resort to political assessments upon office holders and upon candidates for office, which is an almost universal practice, those who are held up and blackmailed naturally expect to get their money back, by hook or by crook, and they very often do so. They repay themselves for their outlay, if they have an opportunity, with interest far in excess of the legal rates.

Men who are not themselves dishonest wink at these practices, because their consciences have become blunted by familiarity with them, and because opposition to them involves risk without the hope of corresponding and compensatory personal advantage. When an election cannot be carried by the aid of promises and of cash, there remain the two resources of fraudulent voting and falsifying the returns, thus defeating the popular will, which is virtual treason, one of the highest of crimes.

So much for corruption in elections. What of legislative corruption, and corrupt executive administration?

Let us first speak of the latter, because it is purely official, and begin with the question of appointments to subordinate executive positions.

Nothing can be clearer than that the carrying out of corrupt bargains is itself corruption. The downfall of the Roman Empire is traceable to the sale of offices. Yet political patronage, even in free America, is regarded as a personal asset, a perquisite. Senators and Representatives in Congress

boldly say to the President, "This appointment belongs to me"; and against the names of the employees in the departments at Washington entered on the secret official registers are placed the names of those at whose request they have been appointed. A Senator went, one day, to a former member of the Cabinet and said, "Mr. Secretary, I want Blank appointed to a position in this department." "But, Mr. Senator, there are no vacancies." "Make one, then!" The secretary touched a bell, called a messenger, and sent for the appointment book, which he handed to his unwelcome visitor, with the remark, "Choose the man to be discharged;" which the Senator refused to do, and went away disgruntled. He wanted the secretary to pluck his chestnuts from the fire, not to involve himself in a row with a colleague. If political recommendations for appointment were of qualified persons only, the evil would not be so great; but qualification for the discharge of their duties is too often a minor consideration. Competitive examinations, intended to operate as a bar to improper appointments, are after all an ineffectual check upon the practice here complained of.

This practice pervades all branches of our complex political system. It prevails in states, counties and municipalities. The appointees acknowledge and recognize a divided dependence, a double obligation; to the power behind the appointing power first, and after that to the duties devolving upon them by law. Discipline is rendered difficult, and tends to become lax. The public does not get value received for the salaries paid. It cannot be otherwise.

The root of the maladministration of so many of our public charitable and correctional institutions is here laid bare. The well-being of the inmates is sacrificed to the greed of place-hunters and the corrupt facility of those who have places to give.

As to legislative corruption, it is hard to estimate its amount, because it is not easy to unearth it. One thing is clear; there would be no bribe-takers, if there were no bribe-givers. The latter are equally guilty with the former, no matter what anodyne they may administer to their consciences.

City councils and county boards are legislative kindergartens—training-schools for the general assembly; and state legislatures are a primary class for Congress. The lessons learned in them affect the pupil's entire subsequent career.

The corrupt (or at least the corrupted) members of a legislative body usually constitute a small minority, but they may hold the balance of power. The larger the area (measured in population or in square miles) represented in this body, the less of corruption; this is the rule, with occasional exceptions.

Much unmerited obloquy has been heaped upon the heads of legislators, because of the combinations by which so many important measures are passed. Compromise and concession are essential in all associated human activity. Combinations are not corrupt, unless they spring from corrupt motives or have a corrupt purpose.

One fertile source of legislative corruption, especially in our city and county governments, is the exercise of the powers of appointment and administration by them. A legislative body should, in theory at least, have

no patronage at its command. If this were the universal practice, the county and municipal institutions of most states would be better than they are.

Finally, no survey of the actual situation is complete which does not take account of the fact that politicians and public functionaries, in favoring graft, reflect the will of their constituents. Two classes of citizens are benefited, as they imagine, by dishonesty in the administration of government; first, the petty thieves; and, second, business men with schemes for whose successful execution political action is essential, as, for instance, in the form of charters granted, or special privileges of some description, for which they are willing to pay. To these must be added such as believe that the toleration of open and flagrant immorality attracts rural customers, and so adds to the wealth of the community. In a city notoriously corrupt, a gentleman who had exceptional opportunities for knowing what goes on beneath the surface of public affairs, being himself employed as counsel for a department of the government, once said to me, that if the people of that municipality were given, for a single term, a government absolutely honest in all its dealings with individuals and with the public, they would bury it, at the next election, beyond the hope of resurrection.²

The National Humane Association.—When the American Humane Association holds its annual meeting early in November, a carefully prepared plan to convert it into a huge national organization will be presented and probably adopted. This association has existed for many years as an annual convention of societies for the prevention of cruelty—and nothing more. Their delegates attended to exchange views, ask questions and receive information about their common work. No meeting except this annual one was ever held. During the recess a feeble attempt was occasionally made by its officers and committees to print and disseminate humane literature, but never with any marked success; first, for lack of funds, as people generally prefer to sustain the direct legitimate work of prevention as conducted efficiently by our societies in their respective states; and, second, because the newspaper and magazine literature is all that is required at the present time for the purpose. Last year some of those very active in the association prepared and urged an incorporation of the association as a national body, with practically the same features as the one now to be adopted. (1) The name is to be changed to "THE NATIONAL HUMANE ASSOCIATION." (2) Individuals and not societies are to be the incorporators. (3) The incorporation is to be in the District of Columbia. (4) Its work and purposes are those of our present existing societies. (5) Which it is to stimulate and urge in enforcing laws and orders. (6) It is to aid in securing legislation. (7) It is to disseminate literature and in "extension of humane ideas" is to distribute and give away "humane pictures, lanterns, slides, medals, and other things"! (8) The bill then authorizes the creation of a board of trustees to receive and hold property *including legacies*, with limited personal liability. Lastly (9) the bill authorizes the appointment of agents to enforce the laws governing the transportation of animals, a work peculiarly within the province of our state societies for the prevention of cruelty to animals.

² Contributed by Frederick Howard Wines.

If this bill should become a law, over a million dollars would be needed to make the plan in the slightest degree effective. Where is the money to come from? The usual answer in the organization of a trust is made,—“it will come in due time.” How far a credulous man might be willing to donate liberally to such a corporation for such purposes remains to be seen. One thing is certain, the treasuries of our own societies stand a fair chance of suffering from legacies diverted from them to this huge anti-cruelty trust.

Now as to the bill, generally. Its object is to create a grand national corporation for the prevention of cruelty to animals and children in humble imitation of a national society for the prevention of cruelty to children in England, which, under a different form of government, stands on a very different footing. The limited territory of England compared with that of our country renders such a corporation feasible under the English law. Here the work in one state alone exceeds that in England in a year. True, the liberality of the English people in the cause of humanity is alike large and certainly most commendable; but they have only one society to support, which derives no revenue from the Crown and legacies to it do not detract from any other humane work. But the corporate object of this “Trust” is really to interfere with the work of our societies throughout the United States. It absorbs the object of their creation and they are simply made the exponent of its ideas. As in similar trusts, they retain their corporate existence, but really are directed and governed by the trust. The measure is a very dangerous usurpation of the right of individual states to create corporations therein for the enforcement of their own state laws. Congress has nothing whatever to do with the penal laws of any state nor with their enforcement. The subject does not properly belong to the Federal Government. The proviso in the bill for meeting anywhere in the United States is without a precedent. To create such an irresponsible corporation, with a mere agent located at Washington for the purposes indicated, is not only mischievous in theory, but deadly in results. Inexperienced and untried men will annoy our societies by perpetual suggestions and interference with local legislation; for while in general our anti-cruelty laws are uniform, yet the nature and extent of these acts necessarily differ in the localities which they affect.

The New York convention of our societies recently repeated their disapproval of the whole scheme and refused to send delegates or proxies to the ensuing annual meeting of the American Humane Association. The parent society of the whole world, the New York Society for the Prevention of Cruelty to Children, has also very forcibly defined its opposition to the measure, which, if carried, will probably disrupt the whole association as now constituted. Trusts of any kind are not popular at the present time. Their extension into the domain of philanthropy is to be dreaded.²

The National Prison Congress of 1903.—The Annual Congress of the National Prison Association was opened this year at Louisville, Ky., on the evening of Saturday, October 3, and adjourned on the following Thursday. The value of such a gathering, as was insisted at the closing session, is to

² Contributed by Elbridge T. Gerry.

be found in its influence, first, upon the delegates in attendance; second, upon the community in which its discussions are held, and third, upon students and the reading public, through the ultimate publication of its proceedings. The second of these forms of usefulness has always been regarded as of special importance, so that the prospect of it has determined from time to time the choice of the place of meeting. In this instance, as in some earlier years, the results in this respect have been disappointing. The attendance of citizens of Louisville was small. The great Kentucky Horse Show, the neighboring drill camp of the state militia, and the city campaign for municipal offices, all of which competed for their attention, diverted them from it, and eclipsed it as attractions and as subjects for comment. Yet a number of thoughtful minds were won by the discussions to a new and real interest in the reform of penal law and of its administration; and it may be hoped that this interest will, in some cases, be permanent. It must be confessed, however, that no such impression was made by the congress upon the public opinion of Kentucky, as its managers had been justified in expecting.

In every other respect, this annual congress was by far the most important and successful ever held. Almost two hundred delegates were on hand, representing twenty-four states of the Union and the Dominion of Canada. Sixty-eight of these are wardens, jailors, or, under some other title, executive officers of penal institutions, in direct personal charge of their inmates. Thirty-nine, at least, are state officers or members of boards, in control of such institutions. Among the rest were judges of criminal courts, sheriffs, prosecuting attorneys, probation officers, and others charged with the administration of penal law. There were also delegates from private associations and societies for the protection of dependent children and of discharged convicts, and a number of representative students of social science. But the constitution of the congress is changed indeed, since the time, only a few years ago, when it consisted almost wholly of volunteer philanthropists; when not five prison wardens in the United States could be persuaded to enter it; and when the actual custodians of the condemned, and the "practical-minded" public at large, were almost unanimous in the chilling indifference with which they regarded the small school of "sentimental theorists" calling themselves the National Prison Association.

If such founders of the association as Dr. E. C. Wines, of New York, and Rutherford B. Hayes, of Ohio, could now return to life and look upon the institution they created, the great surprise for them would lie in the character of the prison wardens who are its main support. To keep in subjection by force and terror a throng of desperate outcasts, to make their compulsory labor profitable to the state, while the law holds them in bondage, and then to turn them out, one by one, to choose between the hopeless struggle of the jail-bird for decent existence and a return to crime—was this ever the ideal of a just and efficient prison-keeper? If so, no one would suspect it, on seeing the wardens and superintendents in this gathering. Every man of them seems to be in the work because of his belief in the capacity, even of fallen humanity, for good. Every one of them seems to be an earnest student of his profession, seeking light from all sources upon the best methods, in

its practice, of serving the state and its wards. Among them are men of personal power, of broad culture, of original thought and of a large benevolence; characters which would administer with honor and distinction any private or public trust. And out of their rich experience and practical studies they contributed many papers and discussions which will give permanent value to the volume of proceedings.

Among the questions which received special attention, and excited the greatest interest, were these: By what methods and agencies can the state act most efficiently in preventing crime? What can be done to make public schools more useful in training children for citizenship? How should "tramps" be dealt with, especially upon the railroads? What is the value of the probation system, as now on trial in many states, after the example of Massachusetts; and how far can the principle be extended to advantage? To what extent is discipline in penal institutions injured by political influences? How can public opinion be aroused to the necessity of making all appointments for fitness alone? What can be done to prevent jails and prisons in which short terms are served from continuing to be the recruiting agencies of the criminal class? How far can industry, orderly discipline, and moral influences be introduced and maintained in them? What measures should be taken by the Federal and state governments to remedy the confusion and worthlessness which now prevail in criminal statistics; and to secure a trustworthy collection and treatment of them? What improvements can be made in the laws for the disposition of professional, habitual and hereditary criminals?

But, indeed, there are few topics, in the whole range of law and administration relating to crime, which were not illuminated in some degree by the discussions. The chief qualification to the satisfaction felt in these was the sense of incompleteness; the lack of time. Had the valuable papers and memoirs, prepared in advance of the meeting, been printed and placed in the hands of members on their arrival, so that they could be studied at leisure, and the hours of the sessions be given to criticism, application and debate, the congress would have been far more fruitful. It is to be hoped that this method will be adopted hereafter.*

* Contributed by Charlton T. Lewis.

INDEX OF NAMES

ABBREVIATIONS.—In the Index the following abbreviations have been used: *pap.*, principal paper by the person named; *p. n.*, personal note on the person named; *b.*, review of book of which the person named is the author; *n.*, note by the person named; *r.*, review by the person named.

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